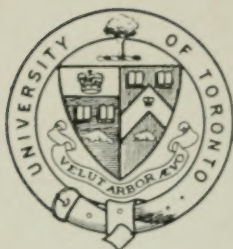




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# Socialism in Local Government



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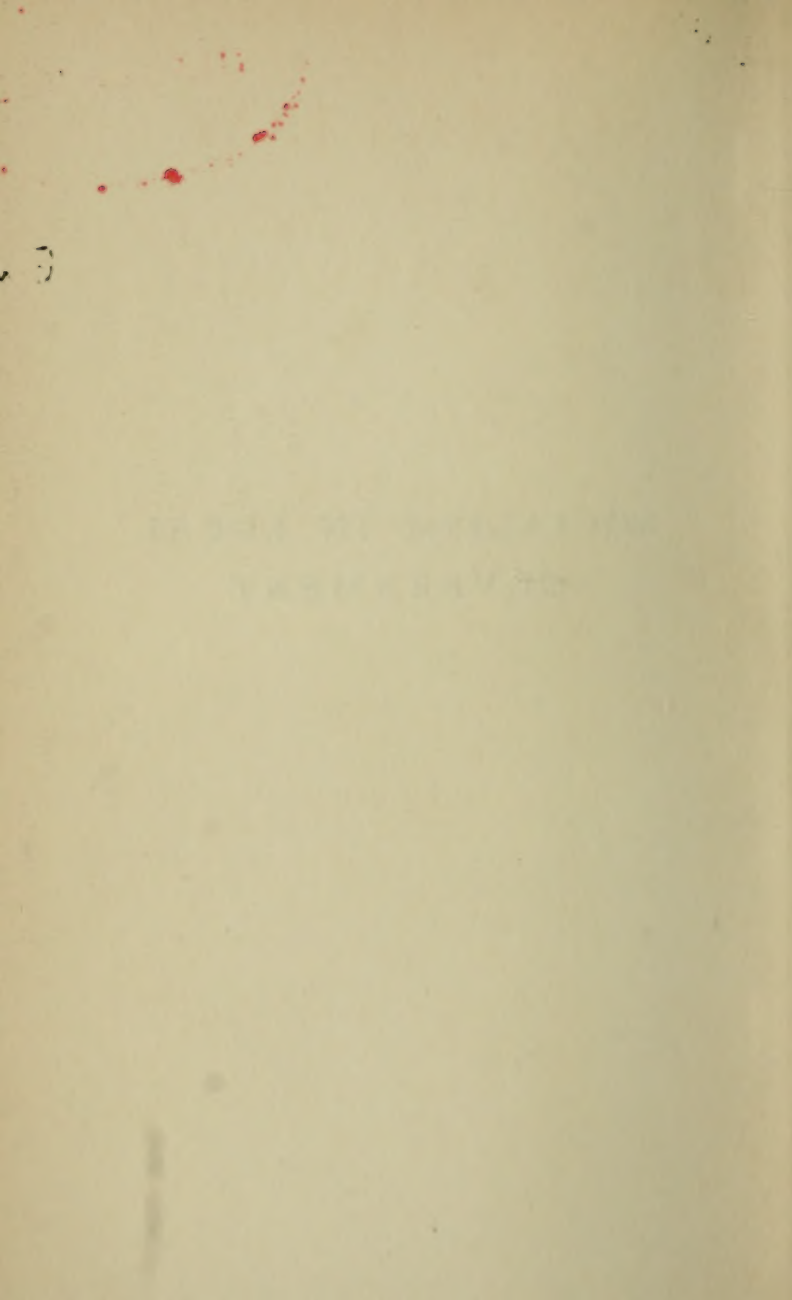






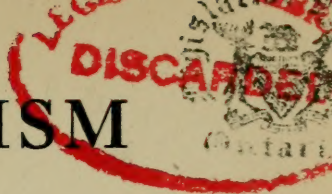


SOCIALISM IN LOCAL  
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# SOCIALISM

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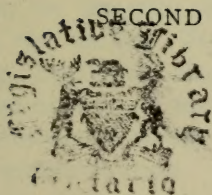
W. G. TOWLER

SECRETARY OF THE LONDON MUNICIPAL SOCIETY

WITH INTRODUCTION BY

CAPTAIN H. M. JESSEL

SECOND EDITION

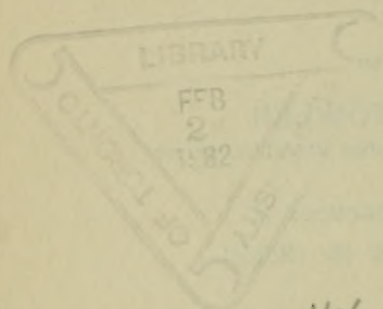


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1909

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## PREFATORY NOTE

THIS book is, in one important respect, a novel departure. From time to time various writers have dealt, more or less fully, with single phases of the question. The greater extent of the field of investigation opened to the author by his daily pursuits during the past fifteen years has led him to deal at least comprehensively, if not exhaustively, with the whole subject. It is, so far as he is aware, the first systematic effort to deal with the silent and almost unobserved invasion of British Local Government by the forces of Modern Socialism.

A decade hence, perhaps, the student of social growth will look back from a position of detachment upon the attempt to apply the theories of Socialism to Society, and will discern two well-defined, but linked, lines of advance. The first, following legislative channels, is outside our purview; the other, and more effective one, is through all the avenues of power and authority in the domain of civic administration.

The future observer will, no doubt, also realise more clearly than we do now the vast process of change thus wrought in the social structure. He will be better able than we are to estimate its characteristic features, to analyse its results, and to explain its full meaning. Nevertheless, it will be

## Prefatory Note

then beyond his power to sway ever so little the course of things.

By furnishing some definite view of the remarkable position towards which Socialism in Local Government has been so far carried, by indicating the evil consequences of the movement, and offering suggestions for an alternative policy, the author hopes to help, in some degree, that large section of the community, comprising all classes, which is only now slowly apprehending the new Socialist movement, and is preparing, at a late hour, for a dogged, prolonged, and bitter resistance to it.

W. G. T.

*October, 1908.*



# CONTENTS

	PAGE
INTRODUCTORY NOTE . . . . .	ix
I. THE AIM OF ADMINISTRATIVE SOCIALISM . . . . .	1
II. THE NEW HEPTARCHY . . . . .	13
III. THE HISTORY OF MUNICIPAL TRADING . . . . .	23
IV. THE EXTENT OF MUNICIPAL TRADING . . . . .	32
V. THE OPPOSITION TO INQUIRY . . . . .	40
VI. THE FINANCIAL ASPECT . . . . .	45
VII. PRICE AND QUALITY OF SERVICE . . . . .	83
VIII. PUBLIC <i>versus</i> PRIVATE ENTERPRISE . . . . .	96
IX. THE LESSON OF STATE ENTERPRISE . . . . .	109
X. THE EFFECT UPON NATIONAL CHARACTER AND PROGRESS . . . . .	136
XI. THE QUESTION OF MONOPOLY . . . . .	164
XII. LABOUR AND POLITICS . . . . .	178
XIII. MUNICIPAL HOUSING . . . . .	200
XIV. MUNICIPAL WORKS DEPARTMENTS . . . . .	218
XV. AN ALTERNATIVE POLICY . . . . .	231
XVI. SOCIALISM IN EDUCATION . . . . .	246
XVII. SOCIALISM IN THE POOR LAW . . . . .	267
XVIII. THE RIGHT TO WORK . . . . .	276
XIX. MUNICIPALISATION OF THE "DRINK TRAFFIC" . . . . .	305
XX. CONCLUSIONS . . . . .	312
INDEX . . . . .	327



## INTRODUCTORY NOTE

THE success of *The Case Against Socialism*, issued under the auspices of the London Municipal Society in the early part of 1908, has encouraged the Society to promote the publication of the present volume.

Mr. Balfour, in his prefatory letter to the former book, observed that the controversy "is one vital to the welfare of Society, and it has now come down from the study of the theorist to the market-place and the street corner."

Socialism is not merely the topic of the open-air orator ; it is actually being put into practice in Local Government. Instead of blowing bubbles in the parks, the Administrative Socialist uses the machinery of local administration for the realisation of his theories. Municipal Socialism is very real, and high rates bring the fact home to all classes of the community.

It may be justly asked, what are the reasons that have weighed with the Society in inducing them to undertake so great a task as is involved in combating Socialism ? The answer is, that it is impossible to draw a dividing line between State Socialism and Socialism in Municipal Government.

## Introductory Note

The Society was established in 1894 for the purpose of uniting all who were opposed to the extreme ideas advocated by the Progressive-Socialist majority on the London County Council and other bodies.

Since its foundation, the Society has been engaged in a systematic study of London questions. It has been persistent in its efforts to bring to the notice of Londoners the extravagance of the schemes of the so-called party of Progress. Unfortunately, for eighteen years the Progressive-Socialists maintained their power in London Government. The crash came in 1906-7. On the Borough Councils, on the County Council, and on many Boards of Guardians, the Municipal Reformers were returned by large majorities.

The turnover of public opinion in London was remarkable, and the Society can justly claim the credit for the change by which, at last, the seething discontent in the minds of the overburdened rate-payers was translated into action at the polls.

It is curious that the creation of the London County Council was an afterthought in the Bill of 1888. The Extremists themselves were surprised and astonished at the policy of the Conservative administration by which the Government of the greatest Metropolis in the world was handed over without any previous preparation to the uninstructed voter. As a result, the policy of exploitation—the



## Introductory Note

principles of permeation preached by the followers of the Fabian Society and by other Socialists—were at once put into action, and the whole tendency of the Council, until March, 1907, was a steady drift towards Collectivism.

No municipal institution in the world is comparable to the London County Council as regards the magnitude of its operations, the variety of interests which it affects, its influence and example to other municipalities, whether in the United Kingdom or in other parts of the Empire.

Few people, even among those who have served on the Council from the commencement, have so precise a knowledge, and so intimate an acquaintance, with the various questions brought from time to time before the Council as the author of this volume, who has been connected with the Society for fifteen years. It has, therefore, been an easy task for him with his experience of London government to treat of Municipal Socialism as a whole.

What does he seek to prove? Firstly, that municipal trading does not pay; and, secondly, that the Socialists intend to use the power they have obtained in the sphere of Local Government to put their larger ideas into practice. "The path to the Town Utopia of Collectivism," says Mr. Sidney Webb (*Fabian Tract*, No. 57), "is unlimited municipalisation of local public services and a wide extension of co-operate activity."

## Introductory Note

Is not a more scientific treatment of services dealing with monopolies possible?

We are taken through accounts of electric lighting, tramways, and other trading concerns, and any one who reads these chapters must admit that the writer has proved his case.

In Chapter XV. it is shown how the franchises for public monopolies are dealt with in France and Germany—in one case by lease for a term of years, and in the other by regulation and division of profits.

Surely the function and labour of administration in Local Government are sufficient without the further burden of commercial concerns. The fifty-fifth number of the *Statistical Abstract of the United Kingdom*, which has just been issued, states that the total outstanding loans of local authorities at the end of the financial year 1905-6 amounted to £564,645,200. In 1883-4, the total indebtedness was £192,995,873. The increase in twenty-two years, therefore, amounts to £371,649,327. The figures for the three kingdoms are as follows:—

	1883-4.	1905-6.
England and Wales . . . . .	£164,879,947	£482,983,929
Scotland . . . . .	21,884,092	63,075,020
Ireland . . . . .	6,231,834	18,586,251
	<hr/>	<hr/>
	£192,995,873	£564,645,200

The indebtedness of England and Wales in 1905-6 includes the sum of £47,438,852 in respect of loans of the Metropolitan Water Board. The

## Introductory Note

National Debt in 1883-4 was £745,645,953, and in 1905-6, £788,990,187. The increase in twenty-two years has amounted to £43,344,234.

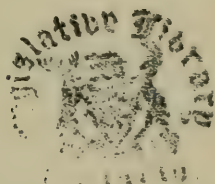
It is to be feared that, owing to the action of Parliament in placing increased duties on local authorities, there will be a greater temptation than ever to undertake commercial enterprises.

If a study of this interesting book has the effect of making the public realise the fact that municipal trading is a failure, and how perilous to the welfare of the nation are the specious proposals of the Socialists, the author will not have studied and written in vain.

H. M. JESSEL,

*Chairman of the Council of the London  
Municipal Society.*

*November, 1908.*



*"Municipal Socialism is one of the gravest and most insidious maladies which now threatens modern civilisation."*

—PAUL LEROY-BEAULIEU



# I

## THE AIM OF ADMINISTRATIVE SOCIALISM

SOCIALISM has ceased to be an occasional topic for academic discussion in literary and debating societies, and the subject of loud-voiced oratory and turbulent imagery in our public parks. It is no mere shadow-fight, but a real conflict that now engages and involves the British nation. The contending forces have passed through the skirmishing stages. Affairs of outposts daily become more serious as the armies form up for the battle. On the one hand we have the Socialist array, well equipped and trained, with a general end in view. Though differences of opinion exist in its ranks, Socialism moves rapidly to its goal. On the other hand, the two great political parties in the State, engaged in their own quarrel, have been taken unawares, and even now are in some doubt as to how to fight their common enemy.

It therefore behoves them to examine not merely the Socialist equipment, but its plan of campaign.

For it is worthy of notice that critics of Socialism, in valuing its forces, have been too indifferent to their direction. While passing judgment upon their paper

# Socialism in Local Government

proposals, they have neglected the twofold and practical line of advance adopted by these theorists who desire to overthrow the accumulated result of ages in order to substitute the fancies of a day.

Now, Socialism travels along two routes:—the one by Parliamentary power, and, as a consequence, Socialistic legislation ; the other, by capturing Local Government, and using its machinery to establish a Socialistic State, mainly through the gradual transfer of various enterprises from private to public ownership and management. While the first line of advance is unconcealed, the second is to a large extent secret and unseen by the general public, or, if detected, is often mistaken for anything but a Socialistic move. It is a remarkable instance of the erroneous values of public opinion that the election of a small but active band of Socialists to Parliament in 1906 should have so struck the country with affright, while the slow but steady development of Socialism in Local Government during the past thirty years has been almost unregarded, and has excited the alarm of only a few people. With that invasion of Local Government this book is concerned.

Accepting the broad generalisation that the present policy of Socialism is State ownership and administration of the means of production, distribution, and exchange, it is necessary, before coming to close quarters with our subject, to take a cursory view of the Socialist position.

The British Socialist of the present time may be divided into two classes:—

1. The Revolutionary class, comprising the Social

# The Aim of Administrative Socialism

Democrats, the *Clarion* Fellowship, and the Socialist Party of Great Britain.

2. The Administrative—or Evolutionary—class, comprising the Fabian Socialists, the Independent Labour Party, and several minor bodies.

The first, and older, section are disciples of Karl Marx, and believe that their ideal will arrive by social convulsion. They preach the Class War, and trust largely in Fate. To them, "Municipalism," "like the Trusts, is only a development of Capitalism, and is run in the interest of the capitalist class. But it is Capitalism in its most advanced stage. It is a form of collectivism ; it demonstrates the practicability of public collective ownership, and supplies, as we have said, the embryo of the industrial organisation of Socialist Society. When industries reach the Company form, they are ripe for socialisation, and the S.D.F. stands for the municipalisation and nationalisation of all monopolies as a step further towards the complete socialisation of all industries, and of all the means and instruments of production."<sup>1</sup> Or, to quote the "Manifesto of the Joint Committee of Socialistic Bodies" (1893), "Municipalisation, for instance, can only be accepted as Socialism on the condition of its forming a part of national, and at last, of international Socialism." In effect, the Revolutionists are lukewarm advocates of Municipal Socialism. It plays only a subsidiary part in their long programme, where their civic objects chiefly relate to "public ownership and control of gas, light, and water supply . . . tramways, omnibus, and other

<sup>1</sup> "The Social Democratic Federation, Its Objects, Its Principles, and Its Work."

## Socialism in Local Government

locomotive services . . . food and coal supply . . . municipal banks and pawnshops and public restaurants . . . hospitals, dispensaries, cemeteries and crematoria."

It is not, therefore, the noisy and implacable demagogues of the Social Democratic Federation who threaten the most danger to Society. It is the second class—the Administrative or Evolutionary Socialists of the Fabian Society, and the Labour Party—that constitutes the gravest peril. These latter bodies have been working with an activity the more dangerous because less noisy, the more effective because disguised. In their idea, Socialism is to arrive, not by red revolution, but "by the gradual and detailed concession of its propositions." Their insidious spirit, like certain diseases of the human body, has established itself in the body politic unobserved, and has gradually worked itself into possession of the vital organs, until the death of private enterprise seems the certain end.

The legislation of the past four years indicates an amazing advance in the adoption of Socialistic ideas. The Unemployed Workmen Bill, the Relief (School Children) Order of 1905, the Feeding of School Children Act, 1906, the Medical Inspection of School Children, which is included in the Administrative Provisions (Education) Act, 1907, and the Old Age Pensions Act of 1908, are all measures tending towards, indeed inevitably involving, the Socialistic principle of "equalisation of advantages among all classes"; which, being interpreted, means granting benefits to the masses at the expense of the whole community,

# The Aim of Administrative Socialism

and without any real attempt to discriminate between deserving and undeserving, or to require any return from the individual for the State service so rendered.

We can scarcely realise how extensive has been the changes going on in Local Government, and to what an important degree the system of private enterprise and individual responsibility has been transformed by the introduction of Socialistic influences.

“The general failure to realise the extent to which our unconscious Socialism has already proceeded . . . is due to the fact that few know anything of local administration outside their own town. It is the municipalities which have done most to ‘socialise’ our industrial life.”<sup>1</sup>

What have been the means employed? The answer is “Fabian Socialism.” The object of the Fabian Society is “the reorganisation of Society by the emancipation of Land and Industrial Capital from individual and class ownership, and the vesting of them in the community for the general benefit.”

The Fabian methods of action are admirably described by Mr. G. Bernard Shaw in *Fabian Tract*, No. 41, entitled “The Fabian Society, its Early History.” Revolutionary in its early stages, it soon settled down to a persistent policy of “permeation.” If unable to put forward Socialistic candidates for Parliamentary and municipal elections, it confined itself “to supporting those candidates who will go furthest in the direction of Socialism. . . . It will endeavour to secure the recognition of the Socialist principle in all the details of local government. . . .

<sup>1</sup> “Bases of Socialism” (*Fabian Essays*, S. Webb), p. 50.



## Socialism in Local Government

By steady work on these and similar lines, Socialists will increase their power in the community, and will before long be able to influence effectively the course of public opinion. . . . We urged our members to join the Liberal and Radical Associations of their districts, or, if they preferred it, the Conservative Associations. We told them to become members of the nearest Radical Club and Co-operative Store, and to get delegated to the Metropolitan Radical Federation and the Liberal and Radical Union if possible. . . . We permeated the party organisations and pulled all the wires we could lay our hands on with our utmost adroitness and energy, and we succeeded so far that in 1888 we gained the solid advantage of a Progressive majority, full of ideas that would never have come into their heads had not the Fabian put them there, on the first London County Council. The generalship of this movement was undertaken chiefly by Sidney Webb, who played such bewildering conjuring tricks with the Liberal thimbles and the Fabian peas, that to this day both the Liberals and the sectarian Socialists stand aghast at him. It was exciting while it lasted, all this 'permeation of the Liberal Party' as it was called ; and no person with the smallest political intelligence is likely to deny that it made a foothold for us in the Press, and pushed forward Socialism in municipal politics to an extent which can only be appreciated by those who remember how things stood before our campaign."

As evidence of "the extent to which the policy of permeating the party organisations with Socialism had succeeded," Mr. Shaw quotes the Liberal and

# The Aim of Administrative Socialism

Radical Union programme for the 1892 London County Council Election. It is no wonder that in his later work on *The Common Sense of Municipal Trading*, Mr. Shaw states that "Municipal Socialism is really on foot among us under the name of Progressivism," and that the London County Council has been described as "The nursing mother of Socialism." In a word, Fabian tactics may be described as advancing inch by inch, sometimes retreating, but ever ready to help forward any movement in the direction of Socialism. "We do not hold aloof from Radicalism, Trade Unionism, or any of the movements which are traditionally individualistic. . . . Whilst our backers at the polls are counted by tens, we must continue to crawl and drudge and lecture as best we can. When they are counted by hundreds we can permeate and trim and compromise. When they rise to tens of thousands we shall take the field as an independent party. Give us hundreds of thousands, as you can if you try hard enough, and we will ride the whirlwind and direct the storm."<sup>1</sup>

"Wise prophets nowadays do not found a partial community. . . . Genuine Socialism grows by vertical instead of horizontal expansion; we must make ever more Socialistic the institutions amid which we live, instead of expecting them to be suddenly superseded by any new set imported from elsewhere."<sup>2</sup>

The instruments to be used in building up the Socialist State are "the public authorities, parochial,

<sup>1</sup> *The Fabian Society*, Shaw, p. 28.

<sup>2</sup> "Socialism True and False," S. Webb. *Fabian Tract*, No. 51.



## Socialism in Local Government

municipal, provincial or central." "The division of the country into clearly defined areas, each with its elected authority, is essential to any effective scheme of organisation. It is one of the symptoms of the coming change that, in perfect unconsciousness of the nature of his act, Mr. Ritchie has established the Commune. He has divided England into districts ruled by County Councils, and has thus created the machinery without which Socialism was impracticable. True, he has only made an outline which needs to be filled in, but Socialists can fill in, whereas they had no power to outline. It remains to give every adult a vote in the election of Councillors ; to shorten their term of office to a year ; to pay the Councillors, so that the public may have a right to the whole of their working time ; to give the Councils power to take and hold land—a reform already asked for by the Liberal and Radical Union, a body not consciously Socialist ; and to remove all legal restrictions, so as to leave them as free to act corporately as an individual is to act individually. These measures accomplished, the rapidity with which our institutions are socialised depends on the growth of Socialism among the people. It is essential to the stability of the changed forms of industry that they shall be made by the people, not imposed upon them ; hence the value of Mr. Ritchie's gift of Local Government—enabling each locality to move swiftly or slowly, to experiment on a comparatively small scale, even to blunder without widespread disaster. The *mot d'ordre* for Socialists now is 'Convert the electors ; and capture the County Councils.' These Councils, administering local affairs . . . are all destined

# The Aim of Administrative Socialism

to be turned into effective industrial organisers ; and the unit of administration must depend on the nature of the industry."

The lines upon which the battle between Capital and the Socialist Municipalities will be fought are thus indicated :—"In face of the orderly communal arrays, playing into each other's hands, with the credit of the country behind them, the ventures of the private capitalist will be at as great a disadvantage as the cottage industries of the last century in face of the factory industries of our own period. The Trusts have taught us how to drive competing capitals out of the market by associated capitals. The Central Boards or County Councils will be able to utilise this power of association further than any private capitalists. Thus the economic forces which replaced the workshop by the factory will replace the private shop by the municipal store, and the private factory by the municipal one."

"At present the State machinery has practically broken down under the strain of spreading democracy, the work being mainly local, and the machinery mainly central. Without efficient local machinery the replacing of private enterprise by State enterprise is out of the question ; and we shall presently see that such replacement is one of the inevitable consequences of Democracy. A democratic State cannot become a *Social-Democratic* State unless it has in every centre of population a local governing body as thoroughly democratic in its constitution as the central Parliament. This matter is also well in train. In 1888 a Government, avowedly reactionary, passed a Local Government Bill which effected a distinct

## Socialism in Local Government

advance towards the democratic municipality. It was furthermore a Bill with no single aspect of finality anywhere about it. Local Self-Government remains prominent within the sphere of practical politics. When it is achieved, the democratic State will have the machinery for Socialism."

The municipal programme of the Fabian Society is strangely akin to that adopted by the International Socialist Workers and Trade Union Congress held in London in 1896.

"The immediate municipalisation of the supply of water, gas, electric light ; of docks, markets, tramways, omnibus services, and pawnbroking ; lake and river steamboat services ; and of all other local monopolies."

"The immediate undertaking by public authorities of : (a) the manufacture and retailing of tobacco and bread ; of the supply of coal, milk, and other universal necessities ; and of the building of dwellings for the workers ; (b) the manufacture and retailing of alcoholic drinks."

Moreover, when we turn to the Trade Unions with their powerful organisation and immense voting influence, we find that they have pursued an almost parallel course with Administrative Socialism. At various Trade Unions' Conferences held in the past fifteen years, resolutions have been passed in favour of municipal collectivism. The most important of these decisions by "the Parliament of Labour" was the one given at the memorable Conference of 1893, when it was determined by an overwhelming majority to establish a fund to assist candidates in local (and Parliamentary) elections, and to give financial help

# The Aim of Administrative Socialism

to other candidates pledged to support the principle of collective ownership and control of all the means of production and distribution. As a result, there was set on foot a Municipal Labour-Socialist Party, which has made remarkable progress, and which wields considerable power in the sphere of Local Government.

In Parliament, an unsuccessful attempt was made in 1906 to remove all restraint or control of municipalities by the legislature, and to confer upon them unlimited powers of trading. The Municipal Powers Bill, introduced into the House of Commons by Sir Charles Dilke, Mr. Alden, Mr. G. P. Gooch, and Mr. A. Henderson, was prefaced by a summary of its provisions.

“This Bill is designed to widen and enlarge the powers of local authorities in respect of the purchase of land, the building of houses, and especially the acquisition or establishment of trading undertakings. It in no way touches questions of taxation or finance, leaving the powers of municipalities in these respects exactly as they are at present. Generally this Bill frees municipalities from the necessity of going to Parliament for powers to enter into new enterprises. Under the powers which it confers, a local authority may acquire or establish and carry on within or without its area a traffic business, a manufacturing business, a commercial business, a banking business, an insurance business, or any other business or industry whatever. The Bill vetoes the sale of any business carried on under its provisions to any but another local authority. It is provided that any rent, profits, or interest arising from land, buildings, or

## Socialism in Local Government

businesses acquired or established under this Bill shall in the first place be applied to the repayment of any capital which may be borrowed for its purposes."

Beyond the particular object of Municipal Trading, which is the main weapon of the Administrative Socialist, subsidiary movements are being made towards the State and Municipal regulation of the whole sphere of private right and personal responsibility. These have taken definite shape in an endeavour to force Parliament to acknowledge the Socialist doctrine of "the Right to Work," and in the new duties imposed upon Local Authorities with regard to the feeding of necessitous scholars, and the medical inspection and treatment of school children.

With "Opportunism" as its motto, it cannot be denied that Administrative Socialism has obtained a hold upon men of every political and municipal party, and men of no party at all, to a remarkable degree. Without exaggeration it may be said that these waiters upon occasion and opportunity have done more to establish Socialism in Great Britain than all the efforts of the revolutionary Social-Democrats, and other advocates of violent measures.



## II

### THE NEW HEPTARCHY

BEFORE proceeding to examine the particular activities of the Administrative Socialists in the domain of Local Government, let us glance briefly at their proposed reform of the machinery by which they hope to attain their ends.

The Fabian Municipal movement made rapid strides between 1888 and 1903. Then two new considerations arose. In the first place, it became quite apparent that the weight of industrial responsibility would become a burden too heavy to be borne by the existing local authorities. In the second place, it was seen that the control and management of large public services, such as water, light, and transit, was impossible by municipal bodies, unless their areas were vastly enlarged. Geographical limitations were found to be formidable obstacles to the plea of great towns that they should own and work these large common concerns. It is true that the difficulty had been overcome in some respects by local authorities obtaining powers to serve adjoining districts. But these arrangements were seldom made without long delay, much haggling, and often inconvenient compromises.

A notable example of this difficulty is presented

## Socialism in Local Government

by the London Water Supply. Though strenuous efforts were made by the London County Council to establish a right to administer that service, the legislature found it undesirable to place upon London's Central Authority the administration of the various water undertakings covering an area of 537 square miles, nearly five times the size of the present London area. Therefore a special body, the Metropolitan Water Board, had to be constituted for the purpose of acquiring and managing the water supply of the capital of the British Empire. In the case of the tramways, too, all hope of establishing a thoroughly comprehensive and unified system of transit from central to outer London and the Home Counties, vanished when the London County Council became the tramway authority for London, and Middlesex and other adjoining counties were covered with other and separate public and semi-public tramway systems. The provision of electricity has offered the same difficulty. First, it was thought that the area of a Borough Council was a proper and sufficient unit for an electric light undertaking. Then came a revolutionary change in the methods of electrical production. It was found more economical to take a county, or an aggregation of counties, as the unit for the supply of electricity in bulk for manufacturing, lighting, and transit purposes. As in the case of the Water Supply, the London County Council was barred from becoming the electrical authority for Greater London, mainly on the ground that it could not appropriate, as the unit for electric bulk supply, an area six times as large as its own.

Another instance of this inadequacy of municipal



# The New Heptarchy

areas is the ill-fated municipal telephone services. In recent times, some seven towns, among them Glasgow and Tunbridge Wells, established systems, most of which, after a short chequered career, were purchased by the Post Office, or the National Telephone Company, on terms involving in some cases a loss to the towns.

The Administrative Socialist, therefore, found himself in this predicament ; however strong his claim to municipalise these great communal services, he was defeated by geographical limitations. The increasing enlargement of industrial operations overrunning municipal frontiers, necessarily restricted municipal activity. Not only did it stop the advance of Administrative Socialism, but it threatened to invade territory already occupied by the municipalities. Hence the Fabian Socialist has abandoned for the moment his effort to municipalise, and is seeking to alter the fabric of Local Government. All the principles which have hitherto governed the size of local areas are to be overthrown. "One of the first points, if not *the* first point, to be considered in connection with any further extension of the powers of municipalities, or of the collective organisation of industry in any form, is that of the area over which a municipal or other local governing authority should govern."<sup>1</sup> "We must adapt local government to the industrial necessities of the new situation. Our problem is to discover and bring to life the governing economic unit."<sup>2</sup> "The

<sup>1</sup> "Municipalisation by Provinces." *Fabian Tract*, No. 125.

<sup>2</sup> "Public Control of Electric Power and Transit." *Fabian Tract*, No. 119, p. 7.

## Socialism in Local Government

bane of boundaries," as it is termed, is to be banished.

"The solution would seem to lie along two parallel lines of development. First, greatly enlarged borough boundaries; second, joint Committees or boards for special purposes. In regard to the first point, it may be said without exaggeration that there is not an administrative area that does not need immediate rectification. If this be so, why is it not done? The answer is twofold: in the first place, because of the clumsy and ponderous parliamentary process necessary; and, in the second place, because of local difficulties, partly political but mainly difference in rating. And so it happens that economic developments of the very first magnitude are thwarted or diverted because of local quarrels. The time has come to end this unhappy state of affairs. These disputes are generally fomented by interested officials; all the average ratepayer wants is value for his money, and it is the business of responsible statesmanship to see that he gets it. We therefore propose the constitution of a permanent Boundary Commission, which shall be charged to inquire into and determine the limits of all local areas, municipal or otherwise. To this Commission should be given full powers. It should be composed of men well trained in the intricacies of local administration, so that their decisions should be in harmony with public policy. . . ."

"Let us now try to visualise these proposed changes. Our large municipalities are no longer hemmed in by semi-irresponsible minor authorities. Manchester, Birmingham, Liverpool, Newcastle,

## The New Heptarchy

London, at length administer the affairs of the populations depending upon the local industries. Out of a hopeless welter of borough, urban, and rural and parish councils, emerges a large, responsible, and unified governing body which attracts not only the best representative citizens, but also the most capable engineering and administrative experts. 'Sister am I in my mother's house but mistress of my own,' might almost be the motto of these new bodies. Thus equipped, it may be said that the way is clear for the complete control of electrical power and transit: control within its own enlarged area; control over a vastly greater area by means of joint boards or other co-operative action. Nor need developments end here. The enormous demand for electrical machinery, for rails, for fuel, for raw material, suggests the early possibility of collective production, which would be simplified by the necessity imposed upon authorities to standardise all the *matériel*." (*Fabian Tract*, No. 119, pp. 12, 13.)

This novel geographical change, by which the regional unit of government is to be a province, is a return to the Saxon Heptarchy. Or, to use a more modern term, it is the latest development of Home Rule. The existing sixty-two administrative counties are to be formed into seven or more provinces, governed by boards, composed of men "elected by the various local authorities within each new area." For instance, in the case of London, "the transit and electricity board would be elected" by the five County Councils of London, Essex, Middlesex, Surrey, and Kent, "with the addition perhaps, of representatives from urban sanitary authorities."

## Socialism in Local Government

It may be observed that already an agitation has been set on foot by the Progressive-Socialist party in London Government with a view to the constitution of a Greater London by the extension of the present county boundary until it comprises nearly the whole of the five Home Counties.<sup>1</sup>

A further development even is contemplated "in connection with local government and the collective control of industry." From the Provincial Boards would be elected National Boards, whose duties would comprise the manufacture of rolling stock by direct employment in national workshops "for the whole of the publicly owned transit service of the country ;" also factories are contemplated to produce tram rails and motor cars ; electric plant, pumping and other machinery, &c. &c. Other subsidiary "activities" of a like character are to be evolved, which will "lead to the extension of the power of Society over its own economic life." In fact, the full Socialist State is to be thus brought into being.

The intemperate magnificence of this skeleton project for a social millennium is open to severe criticism even from the Socialist side. In plain terms, it shows that the Administrative Socialist has no belief in Social-Democracy, which he regards as ignorant, ill-disciplined, and likely in blind faith to destroy Society without providing an alternative scheme. For, be it observed, the most superficially striking fact about this plan is the revival of the rejected system of Indirect Election. The Provincial Boards are to be indirectly elected from

<sup>1</sup> *London To-day and To-morrow.*

## The New Heptarchy

local authorities. More curious still, the National Boards are also to be indirectly chosen from the Provincial Boards. So that the electors, in voting for a member of a small county borough, or an urban district council, must contemplate the possibility of the candidate they support becoming, firstly, a member of an important provincial body, and, secondly, occupying the still more onerous office of member of one of the National Boards. Indirect Election, so objectionable to Social-Democracy a few years ago, because it leads to irresponsibility and bad government, is now hailed by Fabian Socialists as "likely to give satisfactory results." In other words, it is hoped that the system will produce a set of over-men, a kind of Socialist aristocracy of talent, who will shepherd the herds of stereotyped mediocrities constituting the Socialist nation.

This retrograde scheme of popular choice twice removed is not the eccentric advocacy of one individual. It is a considered report from a Fabian Committee, adopted by the Fabian Society. The whirligig of Time does, indeed, bring its revenges ; for the writers of the *Fabian Essays* in 1889 declared their belief "in a State identified with the whole people by *complete Democracy*" and, in a passage we have already quoted, affirmed that a "democratic state cannot become a *Social-Democratic* state, unless it has in every centre of population a local governing body as thoroughly democratic in its constitution as the central Parliament." Now, they abandon the idea of a free commonwealth of voters, and embrace the belief of Carlyle, that "there was no nation that could subsist upon Democracy."



## Socialism in Local Government

This resurrection of the narrow formalism of Indirect Election may well arouse a just suspicion that Administrative Socialism is, indeed, not so much a sound theory of political science, which its authors claim it to be, as a political device ; not a rational system of truth, but an inconsistent bundle of sophistries. For what has practical experience of Indirect Election taught us ? First, that it creates a wide gulf between the elector and the public representative. Responsibility is the essence of constitutional rule. To whom is the indirectly elected member of a National Board to be responsible ? The ratepayers' intelligent interest and right of interference in civic affairs are rendered impossible. Take the case of the defunct Metropolitan Board of Works. The system under which that important authority was elected by the various local bodies from their own members, excited no interest among Londoners. Effective criticism was lacking. At election times the ratepayer was chiefly concerned with the merits or demerits of his local Vestry, and not with the larger questions of policy appropriate to London's Central Authority. Rarely, in choosing their representatives upon the local Vestry, did the ratepayers contemplate that one or more of them would ultimately form a unit in a far more important body. And if they did, how could they reconcile the conflicting claims thus brought to their minds ? Indirect Election results, too, in a low *personnel*. The ambition of the ablest men will not stoop to election to a minor local body on the chance that, by two subsequent processes of indirect election, they may reach to the

# The New Heptarchy

high position of membership of a National Board. Their ambition is not so tortuous. Under the present system of local administration, the less able aspire to local honours; the few choice spirits qualified to manage provincial or national concerns, if tempted at all, stand for direct election to the major but not to the minor authority.

One further great weakness of the Fabian scheme is that it presumably contemplates that a member of a National Board is to continue to discharge his duties as a member of a Provincial Board and of the subsidiary local authority to which he was first elected. Surely this is asking too much from any really "representative citizen"?

Another point of the Fabian plan calls for comment. All the efforts of the last thirty years towards a simplification of Local Government are to be thrown to the winds. Two new classes of authorities are to be superimposed upon the existing complicated order. A chaos of authorities, a chaos of areas, and a chaos of rates, unequalled in municipal history, will be the consequence. This attempt to mould local administration to suit some passing industrial phase is merely the latest example of that patchwork expediency which is the curse of sound government, and which we are so apt to mistake for well-ordered evolution. The Provincial and National Boards are not part of a constructive scheme, but so many wedges to be driven into the social fabric until it loosens and topples over.

We do not wish, at the moment, to enter upon a detailed consideration of the enormous duties which are to be discharged by the Provincial and National



## Socialism in Local Government

Boards. Nevertheless it is essential to note that sooner or later they are to assume the whole business of production and distribution for forty-five millions of people, who are to expect a wise and economical management from men who primarily were elected to discharge the sanitary duties of a small local body. "The whole business would be public, and the customer would be one's indirect master through the polling booth."<sup>1</sup> This work, moreover, involves the marshalling, disciplining, and controlling of millions of labourers; the planning out of vastly complicated processes of manufacture, transfer, and apportionment. It is clear that national or even provincial organisation on this huge scale would involve such a rigid regulation of the lives of men as would make existence, at the best, like the life of a lunatic in a County Asylum. The necessary subordination of man under the present system of Society is nothing compared with the absolute slavery involved in Administrative Socialism.

"Slaves by their own compulsion ! In mad game,  
They break their manacles, to wear the *name*  
Of Freedom, graven on a heavier chain."

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<sup>1</sup> H. G. Wells, *New Worlds for Old*.

### III

## THE HISTORY OF MUNICIPAL TRADING

UNTIL a few years ago the prevailing impression concerning Municipal Trading was that it was the product of modern conditions; that it derived its principal propelling force not from Socialism, but from the business motive embodied in the mercantile members of municipal authorities. It would appear, however, that this view is only partially true. The origin of Municipal Trade is lost in the mists of antiquity, and in its latest development it is not based upon commercial considerations. It is now, as we have seen in the previous chapters, one important side of a vast political move. "Municipal Trading," says Mr. G. Bernard Shaw, "seems a very simple matter of business. Yet it is conceivable by a sensible man that the political struggle over it may come nearer to a civil war than any issue raised in England since the Reform Bill of 1832. It will certainly not be decided by argument alone. Private property will not yield its most fertile provinces to the logic of Socialism."<sup>1</sup> Though the argumentative skirmishes fought in

<sup>1</sup> *The Common Sense of Municipal Trading*, G. B. Shaw.

## Socialism in Local Government

recent years over the question have been often severe, no one really contemplates an appeal to force. In the main, there has been a general indifference to the insidious manner in which the numerous changes from private to collective action have taken place. The quiet work of the Administrative Socialist during the last twenty years attracted little or no public attention. Political and municipal parties were slow to realise the steady process by which the citadel of Local Government was being captured for the propagation of Municipal Socialism. And this stealthy advance, under the guise of Progressivism, had gained so many important points of advantage, that Mr. G. B. Shaw, in 1904, thought the whole position of Municipal Trading, as regards commercial success, was impregnable. "It is waste of time to force an open door," which "has been carried clean off its hinges by the victorious rush of municipal Socialism, under the reassuring name of Progressivism." This assurance, however, was clearly premature, because the conflict is only now assuming definite shape, and beginning to develop tangible features as the unseen phases of Municipal Trade are dragged out of the foggy labyrinth of local administration into the light of day.

To understand the significance of Municipal Trade and the real nature of the forces which produced it, we must glance at the main features of its history. For Municipal Enterprise was not born in a single instant, but was a gradual growth and development through a long tract of time. This development may be divided into three stages:—the Early, the Middle, and the Modern.

# The History of Municipal Trading

With regard to the first stage, without venturing upon any lengthy account of the early days of English Local Government, it may be said that certain forms of municipal activity, which exist now, date back to the period of the village community in Great Britain. Markets, for instance, are the oldest form of local service ; at first requiring only an open space on common land in each village, and a few rough hurdles to form a common mart. Then, as commercial economy grew, the market accommodation became of a more substantial character, buildings, &c., being provided, and officials appointed. Tolls and dues were paid, and formed the subjects of royal grants of monopolies to individuals and often to towns. Between the years 1200 and 1482 nearly five thousand local centres of organised trade were established by grants of markets and fairs.

“At first, indeed, municipal life, even at its best, was on a very humble scale. The biggest Boroughs could probably in 1300 only make a show of four or five thousand inhabitants, and of enfranchised burgesses a yet smaller number ; while the mud or wood-framed huts with gabled roofs of thatch and reeds that lined their narrow lanes sheltered a people who, accepting a common poverty, traded in little more than the mere necessities of life.”<sup>1</sup> Other primary functions of ancient Local Government, of which vestiges still remain, were connected with the provision of piers and harbours, and, at a later date, docks and water supply. It is curious to note that the supervision of the supply of food

<sup>1</sup> *Town Life in the Fifteenth Century*, Mrs. J. R. Green, p. 12.

## Socialism in Local Government

was, in the fifteenth and sixteenth centuries, a municipal duty, and stringent regulations governed the production and sale of food stuffs. With the establishment of better means of communication between towns and villages, and the extension of trade, food supply ceased to be a matter of local concern, and passed altogether into the hands of private enterprise.

Now, these early cases of communal or collective action appear to have been, not a supersession of existing private effort, nor even competitive trading, but works set up by the local authority, the village assembly, or folk-moot, the manorial courts and the townships, as the march of politics unfolded, and when individual energy was not forthcoming to provide for the essential needs of the community.

During the progress of commerce in the Middle Ages, the relations between local administration and the merchant and craft guilds, though curiously interwoven, do not appear to have gone beyond the regulation and control of industry. The active and rigorous municipal control of trades, useful in some respects, was provocative of discontent, for we are told that "at times the manufacturer had his grievances against the municipal authorities, whenever he found himself worried and fettered by the traditional wisdom of Town Councils, who, for a variety of reasons of their own, wanted to keep the ultimate control over his trade so as to draw a profit for the town."<sup>1</sup> As time passed the democratic town government grew into an oligarchic plan of administration, directed from the political centre, the capital.

<sup>1</sup> *Town Life in the Fifteenth Century*, p. 70.



# The History of Municipal Trading

With the decline of the mediæval industrial system, and the rise of the Industrial Revolution, the second or middle stage of Municipal Trade began. Local Government, especially in the large towns, was at first almost wholly divorced from trading. At the beginning of the seventeenth century we find many Manorial Courts and Municipal Corporations owning slaughter-houses, markets, docks, quays, and piers ; but from then until 1835 Local Government seems to have undergone a process of general decay. The form was there, but not the life. Municipal enterprise was at a standstill. Private enterprise far outstripped collective effort in the scale of its operations. The system of unregulated competition, with its enormous expansion of commerce, changed England from an agricultural to a manufacturing country. The cult of pure Individualism was rampant. The prevailing economic belief was that the State or the municipality ought not to trade, nor even to legislate for trade, but to devote its powers to such matters as were deemed to be wholly outside the domain of private activity. This tendency is seen in the fact that in the first part of the last century it was not lawful for a municipality to make a profit by trade. How far the municipal influence had declined may be gauged by the statement of the Royal Commissioners upon Municipal Corporations in 1835, who, when they came to inquire into the condition of the English boroughs, found that the old "free and vigorous life was utterly blotted out."

The Municipal Corporations Act of 1835 established the right of every person, "notwithstanding

## Socialism in Local Government

any custom or bye-law," to "keep any shop for the sale of all lawful wares and merchandise by whole-sale or retail." The whole spirit of legislation was towards freedom of industry. Little advance in Municipal Trade was made until about 1850. Then began a movement by some towns to purchase their markets from private owners. The Baths and Wash-houses Act of 1846 gave the opportunity for the erection of municipal baths and laundries. Water supply, harbours and docks, piers, ferries, and quays, too, began slowly to come under the control and management of semi-official and municipal bodies. In the case of gas concerns there were only eight municipal undertakings in 1850.

The transfer of large communal services from private to municipal ownership was, therefore, not at all rapid. The few changes made seem to have proceeded not from any general unity of purpose, or as part of the aims of party politicians, but were, in almost every case, accidental. The object was to fill the few gaps left by private enterprise. Each case was considered upon its merits as a business proposition, and, on the whole, public opinion and political thought was opposed to the practice.

As the century wore on, this unconscious Socialism was gradually extended and amplified into larger applications. While the popular belief was that "the great majority of things are worse done by the intervention of government than the individuals most interested in the matter would do them," and that "the inferiority of government agency, for example, in any of the common operations of industry or commerce is proved by the fact that it is



# The History of Municipal Trading

hardly ever able to maintain itself in equal competition with individual agency, where the individuals possess the requisite degree of industrial enterprise, and can command the necessary assemblage of means,"<sup>1</sup> there was, nevertheless, a considerable extension of municipal activity. This was the result, partly of a reflex action from the selfishness of unrestrained individualism, and also, in a measure, of the formation of a body of opinion in some municipalities which held that great commercial monopolies like water and gas, might be run by the municipality, and the profits secured for the benefit of the ratepayers. This enticing vision of profits was a particularly convincing argument to the mercantile minds of the Councillors. But in no sense was the movement inspired by any desire to bring about the establishment of Socialism. In fact, the able business men on the governing bodies of the great towns would have strenuously repudiated any such description of their attitude. Water, gas, and a few other kindred concerns were, in their opinion, legitimate objects of municipal ownership and management under certain conditions. There the business traders hoped to stop. But the Administrative Socialists made them aware that these exceptions were to become the general rule; that they marked not an end, but an ineffectual means, requiring further extension and collateral aids. These, and the long list of enterprises to which the principle of municipal trading was to be applied, were thus presented to the gaze of the commercial Councillor like the never-ending line of Banquo.

<sup>1</sup> Mill's *Principles of Political Economy*, p. 571.

## Socialism in Local Government

History repeated itself. The third stage of Municipal Trading began. The town once more became the object of national interest, and the giant laboratory where the first experiments in new political theories were to be made. As the immense significance of municipal ownership and management of commercial concerns dawned upon their minds, men, who in the past were firm advocates of municipalisation, became sturdy opponents of its further extension. Nevertheless the march of the Administrative Socialist continued, gaining valuable ground here, losing a little elsewhere, but on the whole making an immense advance.

The growth of the modern desire for municipal control or management found expression in certain Acts of Parliament allowing local authorities to establish gas works, and to supply gas, but not in competition with private companies; in the limited concessions to electric and tramway companies, which contained provisions giving a right of purchase by the local authority after a certain period; and in the Housing of the Working Classes Act, 1890. With the effects of this legislation we shall deal in a later chapter.

It would seem, then, that so far as the early and middle stages are concerned, there can be little doubt as to the nature and tendency of the progress of Municipal Trade. Apart from the intervention of the Socialist, which forms the third stage in the history of Municipal Trading, it is possible that the unlimited powers of private monopoly in large public services would ultimately have been subjected to a well-defined and wise policy of municipal

# The History of Municipal Trading

control and regulation. Unfortunately, that solution of the difficulty received no serious consideration from Parliament. Certainly no real effort seems to have been made in the period between 1871 (when the Local Government Board was established) and 1890 to arrive at that happy medium. It is useless, perhaps, to indulge in vain regrets ; but had the Central State Department even thirty years ago devised model franchises, securing a good service, a share of profits for the ratepayers, maximum prices, and regulations as to conditions of employment, it is clear that an admirable system of municipal control of private monopolies would have been set up, and the way to Administrative Socialism insurmountably barred. As it is, this want of foresight left the door open to the enemy. It has brought us face to face with the gravest issue in contemporary politics. In the sphere of Local Government the vital issue for decision now is whether "the personal rivalry and competition of life, which not only is now but has been from the beginning of life, the fundamental impetus behind all progress," is to be suspended, as the Socialists desire ; or whether the process of social development shall be, as it has been from all time, "to raise this rivalry to the very highest degree of efficiency as a condition of progress, by bringing all the people into it on a footing of equality (equal opportunity), and by allowing the freest possible play of forces within the community, and the widest possible opportunities for the development of every individual's faculties and personality."

## IV

# THE EXTENT OF MUNICIPAL TRADING

TURNING to the meagre and incomplete information furnished by Parliamentary and other returns, we can gauge the rapid progress and extent of Municipal Trade from the outstanding loans of local authorities.<sup>1</sup> Split up into two heads—(1) “Unproductive Debt” (capital expended upon ordinary services), and (2) “Reproductive Debt” (capital spent upon Municipal Undertakings of a trading nature)—the figures are as follows:—

	1902-3.	1904-5.
	Millions £	Millions £
Unproductive Debt . . .	195½	219½
Reproductive Debt . . .	175½	246½
	370½	466½

Note how in the short space of two years the Reproductive Debt has overtaken and passed the Unproductive Debt.

Practically no detailed information is forthcoming in any Annual Report as to the number of local

<sup>1</sup> *Local Government Board Annual Report, 1906-7, p. 469.*

# The Extent of Municipal Trading

authorities engaged in trading, the character of their works, and the financial results. The fullest return is that entitled "Municipal Corporations" (Reproductive Undertakings), No. 398, issued in December 1902, which gives average figures over four years. It appears that the number of Municipal Corporations in England and Wales carrying on one or more "Reproductive Undertakings" on the 31st March 1902 was 299 out of a total number of 317. How many other local authorities, not classed as "Municipal Corporations," were possessed of trading concerns? Observe, too, that London is excluded from the Return.

As to the character of the undertakings and the number of authorities engaged in them, the incompleteness of the Return is evident from the following table. The first column states the number of undertakings carried on by the Municipal Corporations in England and Wales (1902 Return); the second column gives the estimated number of undertakings by different local bodies in the United Kingdom a few years later. The last column is not complete:—

	1	2
Waterworks . . . . .	193	1140
Gasworks . . . . .	97	270
Electricity Supply . . . . .	102	...
Tramways—		
(a) Owned and worked by Corporations	29	179
(b) Owned, but worked by Companies .	16	
Markets, &c. . . . .	228	450
Baths and Wash-houses . . . . .	138	260
Burial Grounds . . . . .	143	450
Working-Class Dwellings . . . . .	24	...
Harbours, Piers, &c. . . . .	43	100
Other undertakings . . . . .	16	...



# Socialism in Local Government

Taking the principal reproductive undertakings, viz., waterworks, gasworks, electric lighting, tramways and light railways, and markets, the number of local authorities engaged in municipal trading in 1903 was as follows:—

9	County Councils out of	.	.	62
293	Town Councils out of	.	.	319
529	Urban District Councils out of	.	.	812
466	Rural District Councils out of	.	.	672

Together with other miscellaneous bodies, there were altogether some 1339 authorities engaged in trading enterprises. This figure does not include 81 public bodies whose functions are limited to trading purposes, viz., 55 pier, quay, and harbour authorities, 21 water authorities, and 5 bodies concerned with gas, tramways, and electricity.<sup>1</sup>

It may be added that other items of municipal activity actually worked are telephone services, golf links, manufacture of paving-stones, electric fittings, milk depôts, steamboats, motor 'buses, bathing machines, fire and accident insurance, concert-rooms, and carriage of goods. Other industries deemed to be ripe for transfer to municipal ownership and management are coal, milk, bread, and the supply of intoxicating liquors. The chief undertakings will be dealt with in a later chapter. We may, however, with advantage here refer to some of the minor matters.

*Coal Supply.*—With regard to coal it is interesting to note that Bradford passed a resolution in favour of applying to Parliament for power to borrow money to purchase a coal mine, but afterwards

<sup>1</sup> *Report on Accounts of Local Authorities*, vol. 2, "Evidence."



# The Extent of Municipal Trading

rescinded the motion. Similar proposals have been placed before the London County Council, the City of Glasgow, and the Manchester Corporation, but have failed to secure general approval.

*Milk Depôts.*—Several local authorities have established milk depôts for the supply of sterilised milk for children. On the whole these depôts have been very poorly patronised, and are nearly all run at a loss. Mr. John Burns (President of the Local Government Board) presented the following table to the House of Commons in May, 1907:—

Name of Borough.	Cost of Installation.	Year ended March, except where otherwise stated.	Receipts.	Expenditure.
Battersea <sup>1</sup> . .	£ 659	1903	£ 736	£ 1124
		1904	1536	2113
		1905	1204	1779
		1906	879	1381
		1907	796	1259
Lambeth <sup>2</sup> . .	881	1905	...	41
		1906	16	170
		1907	286	480
Woolwich <sup>3</sup> . .	663	1907	189	498
Bradford <sup>4</sup> . .	444	1904	659	803
		1905	1383	1453
		1906	1555	1690
		1907	1974	1868

<sup>1</sup> The figures for 1907 are estimated.

<sup>2</sup> Depôt opened in February, 1906. Column 2 shows cost of adapting premises and of fittings and utensils.

<sup>3</sup> Depôt opened in November, 1906. The particulars relate to the half-year ended 18th May, 1907. Column 2 shows cost of adapting premises, of furniture, fittings, apparatus, and milk-delivery plant.

<sup>4</sup> Column 2 shows cost of machinery, fixtures, and fittings.

# Socialism in Local Government

Name of Borough.	Cost of Installation.	Year ended March, except where otherwise stated.	Receipts.	Expenditure.
Burnley <sup>1</sup> . . .	£ 390	1906 1907	£ 458 425	£ 733 640
Liverpool <sup>2</sup> . . .	...	1901 1902 1903 1904 1905 1906	518 1535 2231 1676 1644 1250	2000 4335 4259 3634 3632 3206
St. Helens <sup>3</sup> . . .	391	1900 1901 1902 1903 1904 1905 1906 1907	187 328 246 209 140 123 87 78	265 471 403 440 326 300 272 256
Ashton-under-Lyne	444	1902 1903 1904 1905 1906 1907	266 314 350 431 414 449	353 449 479 547 603 559
Dukinfield <sup>4</sup> . . .	220	1901-3	124	351

<sup>1</sup> Dépôt opened in 1905. The particulars relate to the two years ended March, 1906 and 1907.

<sup>2</sup> The cost of installation not distinguished. Expenditure on furniture and fittings, machinery, repairs, and alterations to buildings, &c., is included in column 5. The particulars relate to the years ended 31st December.

<sup>3</sup> The figures as to 1900 are for eight months only.

<sup>4</sup> Dépôt closed after two years. Column 5 shows the cost on the rates.

# The Extent of Municipal Trading

*Municipal Telephones.*—After considerable opposition from the General Post Office and the local authorities over a long series of years, the National Telephone Company found itself threatened in 1898 with the competition of municipal corporations. The Select Committee of 1898 recommended “general, immediate, and effective competition by either the Post Office or the local authority.” In the following year, the House of Commons passed a Bill conferring powers upon some 1300 local authorities to raise or apply money for telephonic purposes. Nevertheless, only thirteen applied for licences, and six established telephone exchanges. The result was a disastrous failure. Glasgow, Tunbridge Wells, Brighton, and Swansea have sold their undertakings, either to the National Telephone Company, or to the Post Office. As might have been expected, the municipal areas were totally inadequate to provide for an efficient and cheap service. The experiment was, indeed, a sorry example of mischievous municipal trading, and a fitting conclusion to an era of unfair hampering and crippling of private enterprise.

As an illustration of the cost to the ratepayers, it may be stated that Glasgow, in September 1906, sold its undertaking to the Post Office at a loss of about £1200; and that the Post Office Authorities shortly afterwards stated that the chief exchanges would have to be reconstructed, and the telephones of the subscribers, who numbered nearly 1300, would have to be replaced.

At the present time only three municipal telephone systems are working.

*Motor 'Buses.*—Some local authorities have tried

## Socialism in Local Government

experimental services; others have established systems of motor omnibuses. In 1906 the Todmorden Corporation obtained Parliamentary powers to establish a service. In 1907 the omnibuses began to run, but it is stated that a loss has been incurred. Bolton abandoned its motor 'bus service after losing £300 a year. Glasgow and Leeds possess power to run motor services. Several local authorities have postponed any extension of their tramway systems until it is seen whether the new means of locomotion will succeed or fail.

*Municipal Carriers.*—In 1906 the Manchester Corporation proposed to establish a "Manchester Corporation Tramways Parcels Express," in order to carry on the business of general carriers. The experiment failed, and was abandoned, some thousands of pounds being lost.

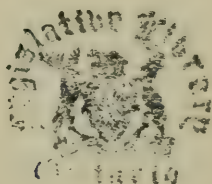
*Municipal Pawnshops.*—At various times proposals have been made to establish municipal pawnshops, but no definite step has yet been taken to obtain Parliamentary powers. Many provincial towns in France, Germany, and Belgium manage such institutions. The excellent Governmental regulations applied to the management of pawnshops by private enterprise in the United Kingdom afford no valid argument to municipal traders for their transfer to municipal ownership.

*Steamboats.*—Apart from the Clyde Trust, a semi-municipal steamboat service which is steadily losing ground, the London County Council Thames steamboat service is the only example of a municipality embarking upon river transit of this kind. The result of three years' working was a loss of some £130,000

# The Extent of Municipal Trading

to the ratepayers. Consequently in 1908 it was definitely closed down. It is expected that the sale of the boats, &c., will produce a sum far less than the capital invested.

Taking a wide survey of the extent of municipal trading, one is struck by the growing tendency of local bodies to dabble in new ventures. It is not merely an increase in the municipal appropriation of old and well-tried public services bearing a monopoly character that is presented to our view, but a multiplication of the various kinds of duties. Apart from actual performance in this respect, as we have seen, the Administrative Socialist threatens to bring about in the near future a further prodigious transfer of industrial concerns from private to municipal ownership and management. It behoves us, therefore, to examine the results of Municipal Trading, in so far as they are ascertainable ; to consider their general effect ; and to endeavour to ascertain whether or not it is in the best interests of the country that Socialistic speculations should be realised into public measures.



## V

# THE OPPOSITION TO INQUIRY

THE unusual and exceptional nature of the crisis through which civic life is passing at the present time demands the fullest information from the Local Government Board and from local bodies as to the extent and financial aspects of municipal trading. There can be little doubt as to the nature and the tendency of the development so far. But when we come to inquire into the extent, the true financial and economic results of it, we are met at the outset by a paucity of material. It is true that we can glean fragmentary facts from limited Parliamentary papers upon the subject, and from fitful Returns covering short periods, and comprising only a portion of municipal operations. Nevertheless, the broad fact remains that seldom has controversy upon so vital a subject been waged with so little ascertained knowledge of actual conditions.

Practically the last ten years have been spent by opponents of municipal trading in efforts to secure adequate public inquiry, to which inquiry municipal traders have so far offered a desperate and successful resistance. After some discussion, Parliament in May, 1900, appointed a Joint Select Committee of



## The Opposition to Inquiry

the two Houses "to consider and report as to the principles which should govern powers given by Bills and Provisional Orders to municipal and other local authorities for industrial enterprises within or without the area of their jurisdiction." This Select Committee was a powerful one. The representatives of the House of Lords were Lord Crewe, Lord Rothschild, Lord Peel, Lord Hampden, and Lord Windsor. The House of Commons nominated Mr. Grant Lawson, Mr. Hobhouse, Sir Samuel Hoare, Sir Walter Foster, and Sir Leonard Lyell. After meeting upon sixteen occasions, and hearing the evidence of a large number of witnesses, most of them advocates of municipal trading, the Joint Committee reported at the end of July, two months after their appointment, that they "are of opinion that, having been appointed at a comparatively late period in the Session, it is not possible to bring their inquiry to a satisfactory conclusion during the present Session. They, therefore, recommend that they should be re-appointed during the next Session of Parliament, and have agreed to report the Minutes of Evidence taken before them, with an appendix." The bulky volume of evidence, while throwing some light upon several interesting phases of the question at issue, was clear proof of need for further investigation.

Though no one could pretend that final conclusions could be drawn from the information at hand, the Government unfortunately ignored the recommendation of its own Committee. Why, has never been made clear. Possibly, the pressure of other legislative work, the war in South Africa, and the formidable opposition to any further inquiry

## Socialism in Local Government

which was offered by the municipal trading party, were prevailing reasons.

However, in 1902, came a powerful indictment in the Press against the growth of municipal enterprise. The question which had been dormant for two years once more became a burning one. Insistent demands came from influential sections of the community for the reappointment of the Joint Committee upon Municipal Trading, or the constitution of a Royal Commission thereon. As a consequence, Parliament, in the middle of 1903, again appointed the Joint Select Committee, though considerable resistance was shown to the proposal when it came before the House of Commons. Mr. Broadhurst, Labour M.P. for Leicester, stated "I oppose it now on the ground that its effect, and what I fear is its object, is to harass, discredit, annoy, and obstruct corporation work. I have confidence in trading by municipalities." Mr. John Burns, M.P., also opposed the motion. He said, "All the Reports issued proved that they (the municipalities) did their work wonderfully well, and so profitably and so popularly that he thought an inquiry was absolutely unnecessary and would be a work of supererogation."<sup>1</sup> A statement for which there was no foundation whatever.

The Select Committee thus appointed to resume the work after two years' suspension had again only two months to devote to investigation, and accordingly they confined their inquiry to the system of municipal book-keeping and audit. Their Report upon this point was conclusive proof of the inadequacy of municipal accounts, and they made

<sup>1</sup> Hansard, 1903, p. 982.

## The Opposition to Inquiry

important recommendations with a view to secure reform. A suggestion that it was advisable to continue investigation into other branches of the subject of municipal trading was ignored by Parliament. If their recommendations had become law, a proper and adequate audit of the accounts of local authorities would have been secured, and the public would have been able to ascertain the real results of municipal trading concerns.

Nevertheless, in spite of serious agitation, nothing was done by Parliament to give effect to the Report. A Departmental Committee was promised, but was never appointed. In January, 1906, Mr. John Burns, as President of the Local Government Board, appointed a Departmental Committee to inquire into the system of accounts kept by local authorities. Their Report (Cd. 3614, of 1907) stated that "uniformity has not been obtained. Further, neither the Returns nor the Financial Statements profess, nor are they able, to show the true financial position of the various authorities" (par. 24). And in that pithy statement is a full answer to the assertion of Mr. Burns in the House of Commons in 1903, that there was no need for inquiry.

It may be added, that all attempts to secure the appointment of a Royal Commission to make a full and complete analysis of the whole question have so far failed.

What conclusion is to be drawn from the strenuous and sustained resistance to investigation? Any one who approaches the matter with an impartial mind cannot fail to be deeply impressed by it. He must conclude that municipal traders shun an examination

## Socialism in Local Government

of their position ; he may be justly suspicious that such information as is available to the public is the most presentable case ; and that unsunned treasures of fact remain to be revealed which are not favourable to the contention that Municipal Trade is an undoubted success from all points of view.

## VI

### THE FINANCIAL ASPECT

THE most popular, but by no means the most important argument advanced in favour of municipal trading, is that it does, or will, produce profits in relief of rates. This appeal to the pocket was the primary reasoning of municipal traders thirty or forty years ago. It was an attractive one to ratepayers labouring under an unpleasant load of local taxation, and it obscured other and more vital considerations. The Administrative Socialist also uses the bait of profits, though in the inner circles of Socialism it is argued that no profits ought to be made.

“Generally speaking, the reduction of rates is of no benefit whatever to the working class. Rates are levied upon property, and to devote the proceeds of municipal undertakings to the reduction of rates is simply to use them, as we have already stated, as means for making profit for the propertied class.” . . . “The primary object should be the most economical provision of the best possible public services.”<sup>1</sup>

It is desirable at the outset to state that to ascertain whether profits are or are not made by municipalities, is far from being a simple task. In the present state of affairs it appears to be an insoluble puzzle.

<sup>1</sup> *A New Catechism of Socialism*, Bax and Quelch, pp. 38-39.

## Socialism in Local Government

In the first place—What is profit? There is a difference of opinion; one side claiming “gross profit,” the other side arguing that the “net profit” alone is the fact to be considered. Viewed from the financial point of view, the position of a municipal undertaking is this. A town trading in electric light, after defraying the cost of production, is left with a surplus. That is the *gross* profit, and it is equal to the sum available for the annual dividend usually paid to the shareholders of a company, “provided that the company has no interest on debts or debentures to provide for,”<sup>1</sup> and has made provision for depreciation. Therefore “gross profit” does not prove the financial success of municipal trading; for out of the gross profit must be provided the interest on the debt of the undertaking, the annual sum to be set aside in a sinking fund for repayment of that debt, and depreciation. As Major Leonard Darwin points out, if there is a surplus after making this provision, that surplus is the *net profit* available for relief of rates. If there is a deficit, then there is a *loss*.

Regarded in this, the only true light, has municipal trading produced profits in relief of rates?

This cannot be ascertained by taking picked groups of municipalities, as is often done. We must have a full statement of the financial results of the trading of *all* authorities. And, unfortunately, that is not available.

Taking the existing incomplete statistics of Municipal Trade, we find two Local Government Board Returns issued in 1899 and 1902, dealing with all

<sup>1</sup> *Municipal Trade*, Darwin, p. 174.



## The Financial Aspect

“reproductive” undertakings carried on by Municipal Corporations in England and Wales. Note, that this by no means covers all the municipal trading concerns. In 1903 there were 529 urban district councils and 466 rural district councils engaged in municipal trading, and none of these bodies are comprised in the Return.

However, for what it is worth, the table on pp. 48-49 is a summary of the Return of 1903.

Now, there have been issued since 1903 partial Returns of the financial aspects of different municipal ventures. There are, for instance, Annual Returns as to Electric Lighting, Tramways, and Gas Works. The local Taxation Returns for 1904-5 (Part 5) contains a Supplementary Statement of “Sums transferred during the year (1904-5) in aid of Rates, and Transfers from other accounts to make up deficiencies in the Revenues of the Undertakings,” and the curious note is added—“Where shown in the Returns.” The suggestion possibly is that the Returns are not complete. A Second Statement in the same Blue Book gives the amounts remaining in Reserve, Depreciation, and Insurance Funds “established in connection with trading ventures” of Borough Councils. The number of Borough Councils comprised in the first statement is 192 ; in the second, only 125. It is to be observed that these tables are by no means exhaustive. The same information is not forthcoming as to the trading concerns of the 800 odd urban district councils, who had invested about twelve millions in such undertakings. Apart from official papers, various tables have been from time to time compiled by

CAPITAL. (Position on 31st March 1902.)						
Number of Boroughs carrying on Undertakings.	Description of Undertakings.	Total Capital (inclusive of Borrowed Capital).	Amount of Capital borrowed.*	Capital paid off.†	Balance of Capital outstanding.	Amount in Sinking Funds or Loans Funds,†
I.	2.	4.	5.	6.	7.	8.
193	Waterworks	£ 56,943,016	£ 56,167,879	£ 6,611,162	£ 49,556,717	£ 1,678,337
97	Gasworks	24,028,116	22,757,422	4,259,835	18,497,587	1,334,077
102	Electricity supply	12,508,997	11,764,723	571,944	11,192,779	398,636
29	Tramways :—					
	1. Owned and worked by the Corporations	8,610,573	8,396,729	470,747	7,925,982	368,459
16	2. Owned, but not worked by the Corporations	1,140,580	1,047,012	400,070	646,942	
	<b>Total (Tramways)</b>	<b>9,751,153</b>	<b>9,443,741</b>	<b>870,817</b>	<b>8,572,924</b>	<b>368,459</b>
228	Markets, &c.	6,181,080	5,685,129	1,758,458	3,926,671	293,766
138	Baths and wash-houses	1,988,340	1,708,490	475,831	1,232,659	111,735
143	Burial grounds	2,382,305	2,295,765	982,360	1,313,405	101,118
24	Working-class dwellings	1,253,592	1,204,375	114,035	1,090,340	44,359
43	Harbours, piers, docks, and quays	5,421,827	5,408,135	471,319	4,936,816	293,226
16	Other reproductive undertakings ‡	713,946	597,264	130,758	466,506	21,182
	<b>Total (all undertakings mentioned above) £</b>	<b>121,172,372</b>	<b>117,032,923</b>	<b>16,246,519</b>	<b>100,786,404</b>	<b>4,644,595</b>

\* Where Loans have been replaced by other Loans, the sum is only included once in Col. 5 in the amount of capital borrowed. In such cases, the repayments of borrowed capital moneys out of other borrowed capital moneys are not included in Col. 6 in the amount of capital paid off.

† Excluding sums standing to the credit of loan funds for payment of dividends. The sums entered in Col. 8 are applicable to the repayment of such portion of the amounts entered in Col. 7 as is repayable by means of Sinking Funds or Loan Funds.

‡ The undertakings included under the head of "Other Reproductive Undertakings" are the following, viz., Bridge (Toll) at

Description of Undertakings.	9.	Average Annual Working Expenses. §	10.	Repay- ments of Principal. ¶	Payments of Interest.	Average Annual Amount set apart for Depreciation.	Net Profit.	Net Loss.	Average annual amount (if any) of general, legal, and charges of Cor- porations charged to undertakings.
Waterworks . . . . .	£	1,154,209	£	395,198	£	27,266	£	£	£
Gasworks . . . . .	3,186,965	4,465,625	281,366	1,520,164	611,572	79,972	90,128	...	42,885
Electricity . . . . .	5,833,360	662,559	204,737	260,896	19,970	394,825	...	...	38,969
Tramways:—	1,136,455					...	...	11,707	12,006
1. Owned and worked by Corporations									
2. Leased by Corpora- tions . . . . .	1,394,925	971,550	131,240	160,837	49,394	81,904	...	...	5,533
Total	88,392	29,361	24,464	16,240	913	17,414	...	...	759
Markets, &c. . . . .	1,483,317	1,000,911	155,704	177,077	50,307	99,318	...	...	6,292
Baths, &c. . . . .	551,946	266,764	74,780	126,120	500	83,782	...	...	5,375
Burial grounds . . . . .	135,692	188,351	37,048	35,245	...	...	...	...	1,367
Working-class dwellings	156,897	138,665	39,170	42,846	...	...	...	...	3,274
Harbours, &c. . . . .	40,030	23,512	16,522	26,974	...	...	...	...	139
Miscellaneous . . . . .	379,002	239,614	52,049	160,564	4,499	...	...	...	5,253
	137,047	88,496	7,970	14,448	10,760	15,373	...	...	620
Total . . . . .	13,040,711	8,228,706	1,264,544	2,975,906	193,274	Net profit 378,281	...	...	116,180

Bradford, Yorks, Crematorium at Kingston-upon-Hull, Estates (including Racecourse) at Doncaster, Ferries at Saltash, Birkenhead, Middlesbrough, and Sunderland, Marine Lakes, &c., at Southport, Parade and Property at Bridlington, Pavilion Estate at Brighton, and Spa Concert Rooms at Harrogate.

§ Including, if the undertaking is not let by the Corporation, (i.) the cost of materials, wages, and salaries; (ii.) insurance and rates; and (iii.) other annual expenses, if any, other than those in Cols. 11, 12, and 13.

¶ Payments made out of income to sinking funds and other similar funds towards the repayment of principal are included in Col. 11, but not payments out of such funds.

|| Including annual payments made in respect of perpetual annuities, if any.

## Socialism in Local Government

private individuals; and a large amount of miscellaneous information is bandied to and fro in the controversy of parties.

However, nothing so complete as the Return of 1903 is available. And in spite of a strong temptation to analyse later and less complete data, our inquiry will be confined to that Return, as it gives the broadest survey. Our criticism thus becomes more clear. Moreover, it is in the main equally applicable to all the ascertained results of later years.

In the first place, one striking feature of the Return of 1903 is that it comprises the great undertakings of a monopoly character in the chief towns. For the most part, those enterprises were originally built up by private companies, and were profit producing when taken over by the local authorities. These companies could hardly fail to show profits, seeing that they supplied public services for which there was a general demand, and that practically no competition existed. Therefore, after the transfer to municipal ownership and management had been made, we should naturally expect the profits would continue to be earned. If the reverse is the case, then we may assume that the original idea of earning profits in relief of rates has been abandoned, or inefficient management has occurred.

Looking at the Summary given on page 49, it will be seen that it shows a net profit of £378,281 on a capital of over one hundred millions of pounds, or a net profit of 7s. 6d. per cent.—a very poor result.

It is claimed, however, that this £378,281 represents a relief to the rates equal to 1½d. in the pound on the £55,076,000 of rateable value in the 299

## The Financial Aspect

boroughs concerned. This is not the fact. On referring to another part of the Return—"Mode in which Average Annual profit has been applied, or net loss has been met,"—it will be found that over £200,000 of this "profit" was applied to extension of works, capital account, reserve fund, renewals, reduction of bank overdrafts, &c., or carried forward to next account. Therefore, the only sum available for relief of rates was £178,000, or an amount equal to a rate of about  $\frac{3}{4}$ d. in the pound.

Now, although this £178,000 went into the municipal treasury, it could not have been so applied had the undertakings been properly charged (1) with certain expenses incurred on their behalf but paid out of the rates, (2) with a sufficient sum on account of depreciation.

We have now come to the crucial point in our examination of municipal trading accounts. Because it is beyond dispute that if it can be proved that in many instances the financial statements of municipal trading concerns omit important items on the expenditure side, and that those items are defrayed out of the rates, and that insufficient provision is made for depreciation, then any "profit" shown must be fictitious.

Taking the first point, that certain expenses incurred on behalf of the undertakings have been charged upon the rates, or to other municipal departments, we will deal with a few of the principal items.

*Establishment Charges.*—In no less than 130 of the 299 municipal corporations there does not appear to be charged against their undertakings any sum in



## Socialism in Local Government

respect of the general legal and establishment service of the Corporations. In many other cases only a few of the concerns pay anything on this head. That is to say, the trading department enjoys the advantages of the services of the chief Corporation officials and staff, and pays nothing. Roughly, it may be estimated that another £100,000 ought to be charged against the undertakings in respect of these services. In which case only £78,000 is left in relief of rates.

Upon this point some interesting evidence was given before the Departmental Committee upon Accounts of Local Authorities, 1906. Mr. J. S. Harmood Banner, M.P. (Chairman of the Finance Committee of the Corporation of Liverpool and Past-President of the Institute of Chartered Accountants), insisted that a certain proportion of establishment charges ought to be borne on the accounts of trading undertakings. "There is no doubt about it, that when that is done the trading communities (the municipality), as a rule, are let off very lightly even then, because there is always a sort of feeling not to charge them more than is necessary" (2890).

*Tramways.*—Another important omission to charge expenditure against trading concerns occurs in connection with tramways. It has been discovered that the cost of street widenings and improvements made in connection with municipal tramways have been largely borne by the rates instead of by the tramways accounts.

In order to make the matter quite clear, it is necessary to compare the position of a private company and a municipal concern. As a rule, when a



## The Financial Aspect

private company wishes to construct tramways in any area, the local authority makes the Company pay the whole cost of any street widening necessitated by the introduction of the tramways. For, under the Tramways Act of 1870, a certain width of street must be preserved for other traffic. It may be observed that local authorities not only make private companies pay the whole cost of street improvements, but very often impose upon them other onerous conditions.

Let us examine a few instances. The Chairman of the London United Tramways (Mr. C. J. Cater Scott), speaking at the Annual Meeting of the Company in March, 1908, stated:—

“We have to pay very heavy wayleaves to various bodies, and, as I shall show you presently, they amount to £3600 a year. Then the two County Councils of Surrey and Middlesex have begun by asking £4000 a year for the right to cross Kew Bridge, but I believe it has since been reduced. In addition to that, we have had to pay for street improvements and widenings an amount of £943,991, which represents  $24\frac{1}{2}$  per cent. of the total capital expended by us in the construction of our tramways.”<sup>1</sup>

In the case of the Middlesex tramways, the whole cost of street widenings up to 50 feet for tramway purposes is charged to the tramways accounts.

The Metropolitan Electric Tramways Company in 1908 proposed to extend their lines in Harrow Road to Edgware Road. The Paddington Borough Council gave their consent subject to the Company carrying out a number of street widenings along the

<sup>1</sup> *The Economist*, March 28, 1908.

## Socialism in Local Government

route of the new tramway. The estimated cost of the construction of the tramways was £13,822, and that of the street improvements, including paving works, £36,850. The latter sum includes a contribution of £4500 to the cost of a widening already executed, and a similar sum for the reconstruction of a canal bridge.

The Devonport and District Tramways Company paid about £11,000 in respect of street improvements in Devonport. These improvements were imposed upon the Company by the Corporation, and no part of the cost was borne by the rates.

Having seen the heavy capital expenditure rightly laid upon tramway companies for street improvements made on their behalf, let us turn to the position of municipal tramways in regard to the same matter.

Many of the large towns owning and working tramways charge little or nothing to their tramways for these street improvements. In the case of Liverpool, Mr. Councillor A. Armour stated "The Liverpool debt has lately been increased by over one million pounds for the cost of road widenings, of which a large part was in connection with the tramways. When it was sought to charge the Tramway Committee with a moiety of the expense the motion was defeated, as it would have deprived the dominant party of the credit of profits in relief of the rates."<sup>1</sup>

Manchester, Leeds, Halifax, and other towns have pursued the same policy.

Mr. Harmood Banner, M.P., whose evidence we have already quoted, stated to the Committee upon Accounts of Local Authorities: "There are many street widenings which are very desirable, but which

<sup>1</sup> *Standard*, November 23, 1905.

## The Financial Aspect

would not have been undertaken unless the tramways had come through that locality. . . . Take a street, a narrow street. It would have gone on, and probably never would have been widened ; but when the tramways come and they cannot get through it, it is a thoroughfare, and at once they get an Act of Parliament, and they start to widen that street. There the charge will come on the general rate . . . the charge for the widening. . . . I do not know of any instances where these widenings have been put down to the trading undertaking. . . . Therefore, in a great many instances going on now, there is no true comparison between the results of trading undertakings and outside companies, simply for the reason that these charges go against the general rate account instead of against the trading account. In Liverpool we take certain profits from the trading accounts, and we always state in dealing with it before the Council that we consider that not as an actual profit of the tramway undertaking or other trading undertaking, but we consider that as only part profit and part repayment of the improvement which we have done for them in order to make their trading easy" (2891).

One notorious instance of this method of relieving trading ventures at the expense of the rates is Ipswich, where capital expenditure to the extent of £75,000 was charged to the rates, instead of against the tramways accounts. The items were :—

Street improvements for trams . . . .	£48,199
Altering street levels . . . . .	15,600
Purchase of horse trams, and costs . . . .	11,206

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£75,005

## Socialism in Local Government

Even the purchase of the old horse trams was placed upon the rates. It is, of course, easy to show a profit under such circumstances.

Perhaps the most debated case of all is the London County Council Tramways system. And this instance is quoted because, though London was not comprised in the Return of 1903, it affords a glaring example. Specific evidence was laid before the Royal Commission on London Traffic by Mr. W. H. Dickinson, L.C.C., Sir John Benn, L.C.C., and Mr. G. L. Gomme (the Clerk to the Council), to the effect that only one-third of the cost of street widenings for tramway purposes was charged against the tramways accounts, the other two-thirds being paid in equal proportions by the local Borough Council and the County Fund—that is to say, the rates. But when a Return was presented to the Council in 1907, it was found that practically only one-eighth of the cost of tramway improvements was being charged against the tramways. In their “Report on the Council’s Tramways,” dated 14th March 1908, Messrs. W. B. Peat and F. W. Pixley (Present and Past-Presidents of the Institute of Chartered Accountants) dealt with the allocation of the cost of “Improvements undertaken or proposed in connection with tramway schemes.” After giving general examples, the auditors summed up as follows:—

“Summarising our remarks, therefore, in connection with the expenditure on improvements undertaken or proposed in connection with tramway schemes . . . we find the total expenditure up to 31st March, 1907, was £752,128, 11s. 8d.; of this £190,990, 6s. 1d. has been charged to tramways,

# The Financial Aspect

and £173,690, 7s. 1d. has been contributed by local authorities, the remainder, viz. £387,438, 18s. 6d., being charged to Improvement Account. A substantial, but as yet unascertained, proportion of this last figure, in our opinion, should be charged to Tramways Capital Account."

"The Expenditure on 'Improvements for the purposes of General Traffic' . . . amounted at 31st March, 1907, to £1,007,103, 11s. 2d.; the local authorities concerned contributed £142,982, 1s. 1d., the balance, £864,121, 10s. 1d., being charged to Improvement Account. In our opinion a considerable, but as yet unascertained, proportion of this latter figure should also be charged to Tramways Capital Account."<sup>1</sup>

The Board of Trade Return for 1907 relating to Street Tramways, &c., gives the details of capital expended on "Street and Road Improvements (including purchase of land) so far as necessitated by the tramways or light railways." It shows that some nine companies and two municipalities failed to supply any details. One of the companies—the London United Tramways—has spent, as we know, £943,991 on street widenings and improvements. Adding that sum to the figures in the Return, we get the following result:—

	Capital Expended.	Cost of Street Widenings, &c.
Companies . . . .	£ 22,356,544	£ 1,314,529
Local Authorities . .	41,735,547	1,175,954

<sup>1</sup> Paragraphs 60 and 61.



## Socialism in Local Government

This shows that the percentage of capital spent on street widenings, &c., by companies is double that paid by local authorities. It is clear that while municipal tramways are thus rate-supported, their accounts are, to a large extent, incomplete.

*Electricity.*—With regard to Municipal Electrical undertakings, apart from the insufficiency of the charges for establishment services, it is a common practice to bolster up the electrical department by allowing it to charge very heavily for public lighting. Not only is there a higher charge for street lighting than private companies make, but very often an extravagant system of lighting is adopted in order that a large amount of electricity may be consumed.

A Board of Trade Return, dated 21st December, 1907, of charges by local authorities and companies in and around London, showed that local authorities owning electrical works were charging for public lighting prices ranging from 1.29d. up to 4.3d. per unit. On the other hand, the electrical companies supplied public lighting at from  $\frac{3}{4}$ d. to 2.93d. per unit.

Of the extravagant consumption of light by boroughs possessing electric works, we can judge from the following tables prepared by the writer a few years ago, and extensively quoted, in which the London Boroughs are grouped into comparative sections. The figures are for the year 1903-4.<sup>1</sup>

As far as possible, the boroughs have been arranged with the object of bringing together those districts which are similar in character, and which

<sup>1</sup> *London Statistics*, vol. xvi.



# The Financial Aspect

also offer a fair basis of comparison as regards their street mileage.

The boroughs having municipal electric light works are starred:—

Borough.	Street Mileage.	Cost of Public Lighting.	Cost per Mile.
		£	£
*Islington. . . .	124	32,170	259
*Hackney . . . .	104	16,215	156
Wandsworth . . . .	176	17,681	100
Lambeth. . . . .	148½	13,573	91
Camberwell . . . .	130½	11,752	90
Lewisham . . . . .	108	7,809	72

The result given by this group shows that municipal electricity results in street lighting at a cost of £207, 10s. per mile, as against a cost of £88, 5s. per mile in boroughs where there was no municipal concern. In reply to a question by Mr. Councillor Saint, it was admitted at a meeting of the Borough Council that in the third quarter of 1906 in Islington 100 miles of road were lighted by gas costing £4077; 20 miles of roads were lighted by municipal electricity costing £5245. The cost of the public company's gas works out at £40 a mile, the municipal electricity at £262 a mile, or more than six and a half times as much.

The Boroughs of St. Pancras, Stepney, Battersea, and Bermondsey all possess municipal electric works. These boroughs cover a total of 326½ miles of roads, which they light at an aggregate cost of £63,064, and at an average cost per mile of £193.

# Socialism in Local Government

Borough.	Mileage.	Cost.	Cost per Mile.
*Poplar . . . .	65½	£12,702	£194
*Southwark . . .	65	11,398	175
Bethnal Green . .	40	4,797	120
Deptford. . . .	52	3,847	74

This table shows that municipal trading boroughs do their work at an average cost per mile of £184, while non-trading boroughs do it at a cost of £97 per mile.

Borough.	Mileage.	Cost.	Cost per Mile.
*Hampstead . . .	57	£11,658	£204
*St. Marylebone . .	60	11,924	198
*Fulham . . . .	56	10,858	194
Paddington . . .	59½	10,472	176
*Hammersmith . .	55	8,374	152
Greenwich . . . .	58	4,616	79

This group gives the result that municipal enterprise lights at an average of £187 per mile. Non-trading boroughs do the work at £127, 10s. per mile.

Of course, it is to be observed that gas costs about one-third more in North London than it does on the south side of the Thames, but even that cannot account for the extraordinary difference between the cost of efficient gas lighting of London streets and the same service by municipal electricity. We may well ask—Why should the ratepayers be mulcted in

## The Financial Aspect

enormous rates for street lighting in order that a "profit" may be shown on the municipal electric undertaking?

While many supporters of Municipal Trading deny that there is any manipulation of accounts, Mr. G. B. Shaw in his work, *The Common Sense of Municipal Trading*, states:—

"The very municipalities themselves are dominated by the commercial view, and often encourage themselves rather childishly, keeping their accounts in such a way as to produce the utmost possible appearance of commercial prosperity by throwing as much as possible of the expenses on the general rate whilst crediting the receipts of each municipal service to its special department."

*Depreciation.*—The second point, that no sufficient allowance for depreciation has been made in the case of municipal undertakings, is based on the fact that in the Return of 1903 only £193,274 is stated to be annually set aside as depreciation on over £121,000,000, which is equal to 3s. 2d. per cent. Mr. Holt Schooling, the well-known actuarial authority, has pointed out that no less than "103 millions out of the 121 millions of capital are in water works, gas works, electricity supply, and tramways,"<sup>1</sup> and these rightly necessitate the setting aside of a considerable sum for depreciation. Nevertheless, in this group only £177,000 yearly is set aside for depreciation upon a capital of 103 millions, or 3s. 5d. per £100 of capital invested. In fact, in only 88 out of the 1060 undertakings comprised in the Return was any amount stated as set apart for depreciation.

<sup>1</sup> *Fortnightly Review*, August 1906.

## Socialism in Local Government

A leading authority, *Auditors, their Duties and Responsibilities*, by F. W. Pixley (1906), states as follows:—"In order to produce accurate results of the Trading Departments of Local Authorities, the Accounts must be treated on exactly the same footing as they would be if they belonged to a trading Corporation or Company, and the audit should be performed in precisely the same manner. No trading account can be considered as accurate which is not charged fully with an allowance for wear and tear of Buildings, Fixed Plant, and Machinery, as well as the implements in daily use by the workmen. At the same time, a Balance Sheet or Statement of Liabilities and Assets cannot be correct unless the capital value of the works has been reduced by the amount charged against the Revenue Account in respect of such wear and tear, or what is known amongst professional Accountants as Depreciation."

In the case of Tramways, Mr. D. McColl, in his work on *Tramway Book-keeping and Accounts*, lays down the following recommendations as to allowances with reference to depreciation:—

Rail bonding . . . . .	7½ per cent.
Conduits and manholes . . . . .	2½ "
Feeder cables . . . . .	3 "
Buildings . . . . .	2½ "
Machinery and plant . . . . .	7½ "
Power stations . . . . .	5 "
Rolling stock . . . . .	7½ "

With regard to Electric Lighting Works, Mr. Pixley states that the following may be taken as a guide to the proper percentage to be charged against Revenue on the Capital Account:—

# The Financial Aspect

Freehold buildings . . . . .	1 to 2 per cent.
Engines and boilers . . . . .	7½ to 10 per cent.
Accumulators . . . . .	12½ "
Meters, Dynamos and Turbines . . . . .	7½ to 10 "
Transformers . . . . .	10 "
Mains and cables . . . . .	7½ "

Applying an all-round figure of 5 per cent. to the municipal electrical and tramway works, the result is that over a million pounds per annum ought to have been set aside for depreciation. As a matter of fact, only some £70,000 has been so provided. It is evident, therefore, that if an adequate allowance had been made, so far from any profit appearing in relief of rates, there would have been a large deficit.

It is contended, however, by Municipal Traders that it is not necessary for a municipality to make any provision for depreciation in respect of its trading departments, inasmuch as the Sinking Fund by which loans are repaid is a sufficient safeguard. This contention is unsound. "Depreciation is an element appertaining to Trading or Profit and Loss Account. The Sinking Fund charge is an element of capital redeemed out of profits or rates, as the case may be. . . . The Accounts relating to the works of a trading undertaking of a corporation must be treated as subject to the same charge for depreciation as in the case of private ownership. In any case, the deterioration of works is the same, the risk of supersession (a contingency prudentially covered by the Depreciation charge) is the same, the provision to be made for ultimate reinstatement is the same." <sup>1</sup>

<sup>1</sup> *Municipal Accounts and their Audit*, E. Guthrie.



## Socialism in Local Government

With regard to the Sinking Fund, "the true nature of the loan in respect of the repayment of which the Sinking Fund in the case of Corporations is provided, is precisely the same as a loan taken by a private firm or a joint-stock company, and the true nature of the Corporation Sinking Fund contribution is precisely the same as the instalments of principal and interest in repayment of these, and any loans, whether open loans or debentures of private firms or joint-stock companies. These loans are simply money owing, and, with interest, have got to be repaid."

If any proof were needed of the perilous position of electricity undertakings, it is afforded by the comments of *The Municipal Journal*, the organ of Municipal Traders.

"The question of depreciation has reached an acute stage with many of the undertakings which have been at work about ten years. It was the custom of consulting engineers in those days to instal a number of comparatively small generating sets. These are to-day out of date, and out of place, for they are not only wasteful in the space occupied, and the quantity of oil, of steam, and magnitude of repairs, but even at their most economical loads their efficiency falls far short of what can be obtained from plants of modern design. They are an admitted incubus to an undertaking, and an enigma to the engineer who is unlucky enough to have them on his hands. The problem is what can be done with them. To scrap or discard these 'toys' is a luxury few places can afford, inasmuch as the difference between their original cost and the amount written



## The Financial Aspect

off by the proportion of the annual sinking fund payments is so large that it would be difficult to obtain sanction from a committee to place it against the income in any one year. Yet this is the only course open where there is no reserve or depreciation fund to meet the extraordinary expenditure.”<sup>1</sup>

Not only do the general principles of accountancy insist upon an adequate provision for depreciation, but the decision of Parliamentary Committees and the evidence of Local Government Board officials is also in favour of a Depreciation Fund being formed for Municipal Undertakings.

The Report of the Departmental Committee on Accounts of Local Authorities, 1907, stated that “the general object of provision for depreciation is to ensure that an asset which ceases to be of value will, at the time of its exhaustion, cease to be represented by a charge upon the revenue; and the question how far this purpose is met by sinking funds and redemption funds depends mainly on the correspondence of the life of the asset with the period allowed for the repayment of the capital debt. . . . Such assets as lands or buildings may be entirely freed from debt at a period when their value is by no means exhausted and may even have increased; while, on the other hand, it is possible, or may even be probable, that as regards a new kind of undertaking the period allowed for repayment of debt might have been too long;” and, in a later paragraph, they suggest that, “although in general the loan payments may provide sufficiently for depreciation, it may in some cases be a matter of

<sup>1</sup> *The Municipal Journal*, May 5, 1905.

## Socialism in Local Government

prudence to make further provision, to a limited extent, to meet unforeseen expenditure, or to equalise the cost of repairs falling on a series of years, or, again, to provide for renewals in cases where subsequent experience has proved that too long a period was in fact originally granted for the repayment of the debt."

Mr. Banner, M.P., in his evidence, stated with regard to sinking funds: "To use a rather strong word, it is ridiculous the way Parliament is extending these sinking funds and making the life of these things much longer than they can possibly last or be appropriate" (2940).

It is to be noted that the Select Committee on the Repayment of Loans by Local Authorities, 1902, laid special stress on the unsatisfactory conditions under which the officials of the Local Government Board have to gauge the life of an undertaking for the purpose of fixing the period for repayment of the loan.

"In deciding upon the probable duration of the useful life of any work, the officers of a department have to deal with many points which are purely matters of prophecy; they are not empowered to superintend the carrying out of the plans placed before them, and have no adequate means of ascertaining or controlling the amount of attention given to the maintenance of the works when completed.

"The shifting of population, the alteration of accepted standards of efficiency, the variation of boundaries, the progress of science and discovery, exceptionally violent storms and a variety of other causes may upset calculations based upon even the

## The Financial Aspect

widest experience. . . . Some of the witnesses who have given evidence on behalf of the larger corporations have assured the Committee that a Repairs or Depreciation Fund is provided by them in respect of most of their undertakings, but the Return obtained by Sir Henry Fowler in 1899 shows that over an average of five years the average annual contribution to such funds in respect of the debts which are called 'Reproductive Debts' only amounted to one-tenth of one per cent." (par. 40).

As to the failure of municipal works before the loans on them have been discharged, important evidence is afforded by the statement in the Report, "Several instances have been laid before the Committee in which the money borrowed has been expended on subjects which have become worn out or obsolete before the loan in respect of these subjects has been completely repaid." "The Local Government Board supplied the Committee with particulars of 29 cases which came before the Board between April 8th and May 13th of the present year, in which works, or some portions of them, have failed to last for the period allowed for repayment." In other words, assuming that the month was a normal one, some 300 cases of municipal works which have become useless before the debt on them has been discharged, come before the Board each year.

That remarkable fact is decisive proof of the necessity for adequate depreciation and renewal funds in regard to municipal undertakings.

We have already considered a formidable array of facts showing that the trading accounts of municipal

## Socialism in Local Government

authorities are incomplete. Any doubt still remaining must be dispelled by the pronouncements of Government Committees upon this point.

The Select Joint-Committee on Municipal Trading, appointed in 1903, devoted its attention to municipal accounts, as it "felt that any attempt to survey the general subject of Municipal Trading could have only led to a second postponement of the inquiry."

The following are the germane paragraphs in their Report:—

"(7) Whatever view may be taken of the proper limits, if any, which can be set to municipal trading, it is clearly important that, wherever it exists, rate-payers should not be less fully and continuously informed of the success or failure of each undertaking than if they were shareholders in an ordinary trading company.

"(8) In a large number of cases this is undoubtedly done. But there is, in some instances, evidence to a contrary effect, and in view of the ever-increasing number and magnitude of municipal undertakings it is most desirable that a high and uniform standard of account keeping should prevail throughout the country.

"(10) The Committee have directed full attention to the question of Audit.

"(11) The Committee recommend that a uniform system of audit should be applied to all the major local authorities, viz. the Councils of Counties, Cities, Towns, Burghs, and of Urban Districts.

"(12) At present Municipal Corporations in England and Wales, with a few exceptions, are only subject as regards audit to the provisions of the

## The Financial Aspect

Municipal Corporations Act, 1882, by which one auditor, who must be a member of the Town Council, is nominated by the Mayor, and two, who cannot be members of the Town Council, are elected by the ratepayers.

“(13) The evidence shows that no effective system of audit is thus supplied. The elective auditors are poorly paid, or are unpaid altogether, little interest is taken in their election, and although in some cases they are able to lay a finger on a particular irregularity, it is not clear that they could not make the same discovery in the capacity of active ratepayers. No complete or continuous audit is ever attempted by them.

“(14) All County Councils, the London Borough Councils, and Urban District Councils are subject to the Local Government Board audit. This audit is carried out by District Auditors who, as a rule, are not accountants, and are not, in the opinion of the Committee, properly qualified to discharge the duties which should devolve upon them. By special local Acts the Corporations of Tunbridge Wells, Bournemouth, and Southend-on-Sea must, and the Corporation of Folkestone may, adopt the Local Government Board system of audit. The duties of the auditors seem to be practically confined to certification of figures, and to the noting of illegal items of expenditure.

“(15) To apply this system of audit to Municipal Corporations would arouse strenuous opposition from them, and the course may be considered impracticable ; but, in addition to this, the fact that district auditors are not accountants seems to unfit them as a class for the continuous and complicated task of



## Socialism in Local Government

auditing the accounts of what are really great commercial businesses.

“(16) The Committee accordingly recommend that:—

- (a) The existing systems of audit applicable to corporations, county councils, and urban district councils in England and Wales be abolished.
- (b) Auditors, being members of the Institute of Chartered Accountants, or of the Incorporated Society of Accountants and Auditors, should be appointed by the three classes of local authorities just mentioned.
- (c) In every case the appointment should be subject to the approval of the Local Government Board, after hearing any objections made by ratepayers, and the auditor, who should hold office for a term not exceeding five years, should be eligible for reappointment and should not be dismissed by the local authority without the sanction of the Board.
- (d) In the event of any disagreement between the local authority and the auditor as to his remuneration, the Local Government Board should have power to determine the matter.
- (e) The Scots practice of appointing auditors from a distance, in preference to local men, to audit the accounts of small burghs should, in similar cases, be adopted in England.

“(17) The Committee are of opinion that it should be made clear by statute or regulation that the duties of those entrusted with the audit of the local



## The Financial Aspect

accounts are not confined to mere certification of figures. They therefore further recommend that:—

- (a) The auditor should have the right of access to all such papers, books, accounts, vouchers, sanctions for loans, and so forth, as are necessary for his examination and certificate.
- (b) He should be entitled to require from Officers of the Authority such information and explanation as may be necessary for the performance of his duties.
- (c) He should certify :—
  - (1) that he has found the accounts in order, or otherwise as the case may be ;
  - (2) that separate accounts of all trading undertakings have been kept, and that every charge which each ought to bear has been duly debited ;
  - (3) that in his opinion the accounts present a true and correct view of the transactions and results of trading (if any) for the period under investigation ;
  - (4) that due provision has been made out of Revenue for the repayment of Loans, that all items of receipts and expenditure and all known liabilities have been brought into account, and that the value of all assets has in all cases been fairly stated.

“(18) Auditors should be required to express an opinion upon the necessity of reserve funds, of amounts set aside to meet depreciation and obsolescence of plant in addition to the statutory sinking funds, and of the adequacy of such amounts.

## Socialism in Local Government

“(19) The auditor should also be required to present a report to the Local Authority. Such report should include observations upon any matters as to which he has not been satisfied, or which in his judgment called for special notice, particularly with regard to the value of any assets taken into account.

“(20) The Local Authority should forward to the Local Government Board both the detailed accounts and the report of the auditor made upon them. It should be the duty of the auditor to report independently to the Board any case in which an authority declines to carry out any recommendation made by him.

“(25) With a continuous, vigilant, and thoroughly efficient system of inspection and audit, the surest guarantee to the ratepayers against extravagance is to be found in the deterrent effect of public exposure, in addition to the existing legal remedies.

“(27) The Committee suggest that in view of the large changes recommended by them, it might be advisable to create a new body, in the form of a Board of Commissioners of Local Audit, in some respects analogous to the Railway Commission. This body could be entrusted with the powers which the Committee recommend in their Report should be vested in the Local Government Board.

“(29) The Committee are of opinion that it would be advisable to continue investigation into other branches of the subject of Municipal Trading in a future session of Parliament.”

This Report aroused the animus of Administrative Socialists, but public opinion eventually forced the

## The Financial Aspect

Local Government Board to appoint in January, 1906, a Departmental Committee to inquire "into the systems on which the accounts of local authorities in England and Wales are at present kept, and . . . on what system the accounts should be kept." The Committee was powerfully constituted. It held forty meetings, and "heard evidence from twenty-eight witnesses, of whom six were District Auditors, and fourteen were nominated by the Association of Poor Law Unions, Rural District Councils, Urban District Councils, Municipal Corporations and County Councils, the London County Council, the Institute of Municipal Treasurers and Accountants, the County Accountants Society, the Society of Accountants and Auditors, and the Institute of Chartered Accountants."

With regard to Municipal Trading accounts, the Committee made the important statement that "the system of income and expenditure is necessary, by general agreement, for all trading accounts" (par. 35) and purely trading accounts are commonly kept on those lines in the accounts of most Town Councils, and of some other authorities. Still, even in many of those accounts, it appears that "income and expenditure" principles are not fully applied" (par. 10).

After declaring, with reference to the Returns to the Local Government Board, that "neither the Returns nor the Financial Statements profess, nor are they able, to show the true financial position of the various authorities," the Committee summarise their opinions "as regards the existing systems of accounts of local authorities" by stating, *inter alia*, that: "It is evident that the accounts are not kept on any uniform system, but on various systems. . . .

## Socialism in Local Government

The chief causes of this want of uniformity are (a) the vague terminology of Acts of Parliament, (b) the absence of sufficiently precise regulations and definitions, and (c) the increasing sense of the inadequacy of the purely cash system of account keeping."

The Committee in Part II. of their report make important recommendations as to how the accounts should be kept in the future :—

"(65) Separate revenue accounts must be kept, and separate net revenue and balance sheets must be prepared in respect of all trading undertakings. The term 'trading undertakings' may be taken to mean gasworks, waterworks, electricity, tramway, and light railway undertakings, and any other exceptional undertakings (such as harbours and ferries) which are carried on under local Acts, and in respect of which it is requisite to arrive at an accurate statement of profit and loss.

"So far as the Committee are aware, Parliament, though it has in many cases required separate accounts to be kept in respect of particular services, has in no case defined the precise meaning to be attached to the requirement, and the practice of local authorities in this respect appears to vary. It is, however, clear that properly kept records must be maintained suitable to the character of the undertaking, and that these records must be adapted to effective check in detail and to the ultimate preparation of annual statements of account, which will not only show results under the necessary sub-heads of income and expenditure, but will also bring out the net gain or loss, and its appropriation.

## The Financial Aspect

“(66) The line of demarcation, however, between trading accounts and other accounts is not always very distinct ; and there may be some difficulty in determining the extent to which separate accounts should be kept in regard to certain services which are carried on by local authorities under their general statutory powers, and which though not expected to be profitable might be expected to support themselves independently of the rates. To this class belong, for example, housing schemes and water supplies carried on under the general law ; and again, all such works as are re-chargeable, partly, or entirely to other authorities, or to private persons as in the case of private street works and improvements.

“Such undertakings as these should be dealt with in separate revenue accounts, bringing out the surplus or deficiency in each case. This system as a general rule should apply also to public libraries, baths, and wash-houses, parks and recreation grounds, burial grounds, and other such services which, though in different degrees productive of revenue, are regarded normally as a direct charge upon the rates. In these cases it does not seem to the Committee to be necessary to prepare separate net revenue accounts and balance-sheets in addition to the separate revenue accounts of income and expenditure.

“(68) Any expense of maintaining a trading undertaking which are not met out of the revenue of the undertaking must be defrayed forthwith out of the fund or rate made liable by statute, and provision should accordingly be made by the local authority in their rates for any such deficiency in



## Socialism in Local Government

the revenues of the undertaking being fully covered by the current rate. Similarly any surplus revenue of such an undertaking, after providing for prior statutory appropriations thereof, should be applied in aid of the fund or rate specified, and should be consequently taken into consideration by the local authority in making the estimates for the rate. In some cases the provisions of existing local Acts may not admit of the accounts and estimates being dealt with precisely on the lines here indicated, but we are of opinion that in all cases this procedure should be followed as closely as the special enactments in force will allow.

“(70) The information we have received appears to show that sufficient attention has not been paid to questions of this kind by local authorities. As regards establishment charges, for example, many authorities seem to have attempted no apportionment between the different departments; and in others there is reason to suppose that the allocation may have tended to favour one fund at the expense of another.

“It is plain that all these questions (and there are many others of a similar character) have an important bearing on the accuracy of the statement of profit and loss. It is equally plain that they are questions which cannot be dealt with adequately by general regulations; each case must be treated separately on its own merits and in accordance with the particular circumstances.”

It is, therefore, clear beyond dispute that, on the whole, no reliance can be placed upon municipal



## The Financial Aspect

accounts when we wish to ascertain the true financial results of the trading undertakings.

So far, we have considered only the directly financial effect of municipal enterprise. There are, however, other important but indirect features to be examined. Mr. Robert Donald, a well-known advocate of Municipal Trading, in an article in the *Economic Journal* (1899) upon the question whether or not municipalities should make profits on their trading ventures, states that :—

“Some municipalities seek to accumulate profits in one department to cover up extravagance in another, or to keep the rates down. Profits may be increased unnecessarily for partisan purposes. It may be considered expedient to keep the charges for water and gas high rather than add a penny to the general rate. . . . It is not in the interest of reform that the ratepayers, instead of feeling the full burden of local taxation, pay a proportion of the town revenue through indirect channels.”

Therefore, before the claim can be allowed that profits are produced by municipal trade, we have to place against those alleged profits, the unascertainable loss caused by the extravagance in other departments which, as Mr. Donald admits, is the result of municipal enterprise.

Another phase of the question is the loss in rateable value which often follows when a town enters into competition with its commercial ratepayers. For instance, in the case of municipal tramways competing with railways, local authorities may suffer loss from a reduction of the ratepaying capacity of the railways running through their district. The Mayor

## Socialism in Local Government

of Wandsworth, in a speech made in October, 1905, called attention to this point.

“ During the past five years railways in their district had been assessed on a basis which brought them no less than £26,000 per annum. He regretted to say that these railways had been able to show a very considerable depreciation in the profits upon which they were assessed. This was very remarkable, because they were aware of the extension of the area occupied by railways in this borough, not only in regard to the lines of railways themselves, but in such developments as they saw at Streatham Common. Notwithstanding all this there was great depreciation, and one railway had shown conclusively that it had been running at a loss so far as this borough was concerned. There were certainly some areas in which considerable profit was shown, but these were areas not supplied with trams, such as Earlsfield. They found, then, that there was an amazing decrease and an impending decrease throughout South London ; a great decline in those profits on which they could assess ; and this £26,000 towards the rates of the borough was becoming a diminishing quantity, which might in time, if things went on as they were going, be wiped out entirely. It was alleged that this was due to tramways, and when they turned to these tramways, seeing that they had withdrawn all that which made for profit in regard to railways themselves, they would naturally expect to find a correspondingly increasing basis for assessment in regard to them. What do we find ? There is one tramway running at so small a profit that the assessment on it is only £5 per annum, and

## The Financial Aspect

the tendency, so far as I can see, is that these municipal enterprises are going to be run without any of those profits on which we can levy assessment in any way comparable with that which we could levy on any old-fashioned joint-stock railway. What is the result? The £26,000 we cannot put on the back of the tramways. If the tramway authorities choose to run their trams on a system which allows of no profit ; if they run men up to town for a penny ; if the £26,000 becomes a charge which we cannot recoup ourselves from the tramways, where is it? On your backs and mine."

A further indirect consequence of municipal trade which has an important bearing upon the financial aspect, is that the huge increase of municipal debt in recent years has undoubtedly tended to increase the rate of interest on new loans. If that be so, and there is evidence to support this view, then there has been created another item to be set against any alleged profits from municipal trade. It is true that in the case of the ventures themselves, the increased cost of the loans will fall upon the municipal concerns. Nevertheless, the rate of interest payable on all other municipal loans, and they are considerable in amount, will be borne by the ratepayers. To quote one instance. Alderman Wheatley, in presenting the local Budget to the Sheffield City Council in March 1905, stated that "the municipal credit being pledged for such large amounts had had a tendency to increase the rate of interest at which they could borrow, and, therefore, indirectly to increase the rates. He considered one quarter per cent. additional interest was a very moderate estimate

## Socialism in Local Government

of what this large borrowing was costing the city, and, therefore, the rates were suffering in Sheffield to the extent of something like £5000 per annum. The large amounts borrowed by various authorities for trading undertakings had increased the rate of interest at which money could be borrowed for improvements and non-trading works.”<sup>1</sup>

This unseen factor in the situation tells heavily against any “net profits” appearing in the Returns.

In estimating the gains or losses to the ratepayers, there should also be taken into consideration the rents which private companies or individuals would have paid to the town for the privilege of managing the undertakings now in municipal hands. There is no means of ascertaining the total annual sum which the local authorities in the United Kingdom might have derived from this source. In some respects, however, we can make a rough estimate. Taking the municipal tramways leased to companies, as given in the Return of 1903, we find that they show an average annual net profit of £17,414. And Major Darwin<sup>2</sup> has pointed out that the tramways worked by municipalities with a capital of £8,610,573 would have brought in over £105,000 a year to the towns if they had been leased out to private companies. In other words, leasing would have produced some £23,000 more than was actually gained by municipal management. Inasmuch as the leased lines were in the least populous districts it is safe to say that Major Darwin's estimate is well under the mark. On a capital expenditure of about one

<sup>1</sup> *Sheffield Telegraph*, March 23, 1905.

<sup>2</sup> *Municipal Trade*, p. 236.

# The Financial Aspect

million pounds in connection with the leased tram lines in North London the London County Council secured a net profit of over £31,000 a year. There can be no doubt that, given the will, a perfectly sound policy of leasing could be established which would secure far larger net profits to the municipalities than is produced under municipal management, and which would entail no sacrifice of any present advantages in regard to service and price.<sup>1</sup>

In the admirable analysis of some British Gas undertakings, which is contained in the Report of Mr. C. L. Edgar and Mr. Walton Clark to the American National Civic Federation, it is proved that the consumer using a municipal gas service does not enjoy a better service than is given by private companies. Dealing with the fact that some municipal gas undertakings pay over profits to the rates, the Report examines the effect upon the consumer if companies' prices had prevailed. The comparison relates to 1905, and to the municipal and private concerns selected by the American Civic Commission for investigation.<sup>2</sup>

*Table showing Saving to Gas Consumers*

Municipal Gas.	If Newcastle Company's prices had been Charged.	If Sheffield Company's Prices had been Charged.	Contributed to Rates.
	£	£	£
Birmingham . . . .	142,585	216,455	68,813
Manchester . . . .	140,955	195,913	60,000
Leicester . . . .	56,631	78,439	43,466

<sup>1</sup> See Chapter on "An Alternative Policy."

<sup>2</sup> Part i. vol. i. p. 344.



## Socialism in Local Government

Thus, it appears that, in spite of the "profits" to rates, if Birmingham, Manchester, and Leicester had been served by the private companies of Newcastle and Sheffield, they would have derived a larger financial benefit.

We have now obtained a general idea of the financial aspects of municipal trading. They may be summed up briefly :—

1. That no complete Return of the financial results is available.
2. That such incomplete Returns as have been published at various times, when analysed, show that no profits have really been made, but that, on the whole, losses have been incurred.
3. That the accounts of local authorities, in regard to their reproductive undertakings, do not comprise some important items of expenditure made on behalf of those undertakings.
4. That there are indirect financial effects due to municipal trading which add to the ordinary civic expenditure, and also operate to decrease the income from rates.
5. That by an efficient system of franchises a far greater financial gain than any claimed by municipal traders would accrue to the ratepayers.

## VII

### PRICE AND QUALITY OF SERVICE

IT is the stock argument of Administrative Socialists that a municipality does not aim at making a profit, though, as we have seen, that has been the principal reason addressed to the public ear why municipal trading should be undertaken. What the municipality has in view, says the Socialist, is the supply of public needs as cheaply and effectively as possible. The aim of private enterprise, on the other hand, is the opposite to this; its ideal is, a maximum of profit. "Under municipal management the services are cheaper and more efficient than under private enterprise."<sup>1</sup> Even if there be losses upon municipal trading, the benefit of cheapness and better quality are ample compensation. Such, in brief, is the contention of the advocates of municipal enterprise.

It is true that considerable difference of opinion exists in the ranks of Municipal Traders as to whether or not a municipality ought to make a profit, or reduce its prices and give a superior service. The real advantage of public enterprise lies, according to Mr. G. Bernard Shaw, not in the complete reduction

<sup>1</sup> Suthers, *Mind Your Own Business*.

## Socialism in Local Government

of price to cost, but in the application of the profits to the public good. Mr. E. Cannan holds the same view. He takes the ground that "if municipalities are precluded from making any gain for the general body of ratepayers by municipal enterprise, while they are not precluded or protected from making a loss which the general body will have to make up, it is tolerably clear that the ratepayer *qua* ratepayer will always (as he often is at present) be opposed to the undertaking of any municipal enterprise. He cannot *qua* ratepayer gain by it, and he may (indeed must, unless great reserves are formed to make good years balance bad) lose by it."<sup>1</sup> He further suggests that the rule that the profit must promptly be got rid of, is likely to lead to extravagant mismanagement. Working expenses will be increased, and only a small share go in reduction of prices. A third argument adduced by Mr. Cannan is, that it is not desirable for the community to use its credit to cheapen just the particular things which happen to come conveniently within the domain of municipal enterprise. What particular claim, he asks, have the consumers of gas or electric light, or it may be, the users of telephones, to have their pockets relieved at the risk always, and every now and then at the actual cost, of the whole body of ratepayers? Consumers of oil may be both a more necessitous and a more deserving body of persons. The demand that the risk and loss should be taken in the production of certain commodities while all gain should be foregone, obviously amounts to a bounty on the production of those particular commodities, and bounties, we have very

<sup>1</sup> *Economic Journal*, 1899, p. 6.

## Price and Quality of Service

properly been taught to believe, are uneconomic in their operation.

On the other side, Mr. Robert Donald has argued, in reply to Mr. Cannan, that profit-making is not sound municipal policy, but that cheapness and quality of service ought to be paramount considerations.

Now, this divergence of opinion is important, because it throws some light upon the point we have now to examine—Whether private or municipal enterprise gives a better and a cheaper service.

If, as we have good reason to believe from our investigation of municipal finance, there are not now, and never have been, any real profits, the cause must either be bad management, which has eaten up the profits usually made by private enterprise, or a reduction in price, and possibly an improved service. But the arguments used in the controversy about “profits” or “no profits” tend to show that it is the general practice of municipalities to aim at profit-making, and not at offering a better and cheaper service. The general experience, too, of those engaged in administration is that profit is the main object in view. It was, indeed, the argument used to persuade the towns to indulge in municipalisation. Therefore, broadly speaking, we may infer from the discussion that as profit is the chief idea of municipal trade, there can be no substantial difference between the cost or quality of private and municipal enterprise.

What is the relative standard of prices in private and municipal trade, is difficult to ascertain by any direct comparison.

## Socialism in Local Government

In the first place, to the prices charged by municipalities should be added the losses borne by the rate-payers in various directions indicated in the previous chapter. A precise calculation is not possible until further information is forthcoming.

In the second place, any comparison between the charges of municipalities now and the charges made by superseded companies in the past is obviously unfair, as it takes no account of the development of science and industrial methods. Comparison must be based on present charges by both kinds of enterprise. And here we are faced by an almost insuperable difficulty. For, to be just, a comparative estimate must deal with concerns in equal local circumstances. For instance, a gas company depends on cheap coal for a low cost of production, and any attempt to match the prices of a company near a coalfield with a town-undertaking some hundreds of miles away from a coal district, would be unfair to the town. Again, density of population is another factor ; for the greater the consumption, the cheaper may be the cost of production, and hence a low price and a better quality is given to the consumer.

Further, it should be borne in mind that the districts served by local authorities are usually the most populous and, therefore, the most remunerative. Municipalities, as a rule, have taken possession of the most profitable areas of trading, and have left the least successful to private undertakings.

As an illustration of unjust comparison, take the case of the London United Tramways Company and the London County Council Southern Tramways.



## Price and Quality of Service

These two concerns are often set in opposition by municipal traders, who thus seek to prove the superiority of municipal management. The Company's lines are situate mainly in the rural and semi-suburban districts around the west and south-west of London. They are building up their business, and waiting for a huge population to gather in their area of supply. On the other hand, the London County Council hold the richest tramway routes in the world. They entered into possession of a well-established and profitable business. They cater for the vast multitudes who daily travel to and fro between outer and central London. On the ground of different local conditions alone, any attempt to challenge comparison between the two systems is obviously unsound, and monstrously unfair to the Company.

A further disturbing factor, in the case of electrical and gas concerns, is that, on the whole, companies do not enjoy the advantage of supplying public lighting to so large an extent as municipal authorities. The combination of street lighting with commercial electric supply secures economy in production.

Bearing these important points in mind, we will endeavour, as an experiment, to frame a few comparisons.

*Gas.*—In his evidence before the Committee upon Municipal Trading, the late Sir Courtenay Boyle, who was then Permanent Secretary to the Board of Trade, stated that while the figures indicated that generally the price charged to consumers was higher in the case of companies than local authorities, the districts served by the latter were the most populous,

## Socialism in Local Government

and therefore the most remunerative. "On the whole, the returns do not suggest that, in like circumstances, there is any great balance of advantage to the consumer as regards the price charged in being supplied by a local authority instead of by a company."

In the course of his Presidential address at the Annual Meeting of the Institution of Gas Engineers in June 1906, Mr. Charles Wood, the Manager of the Bradford Municipal Gas Works, said :—

"The large majority of gas works owned by local authorities were in the North and Midlands, and principally in the manufacturing districts, where they had many advantages. On the other hand, the companies predominate in the South. It is interesting to note that there were two counties in the South of England in which 105 gas companies were established, but where there was not a single gas undertaking owned by a local authority. It would, therefore, appear that the geographical advantages of the majority of gas undertakings belonging to local authorities might account very largely for the comparatively successful results which they were able to show, in spite of the obstacles to their progress due to mistaken methods of administration."<sup>1</sup>

The following table extracted from Fields' *Gas Analysis* of the principal gas undertakings in the United Kingdom for the year 1906, proves that the companies (allowing for proximity to coalfields) show more favourable figures as to price and quality of service. The figures are average price charged to public and private consumers.

<sup>1</sup> *Morning Post*, June 20, 1906.

# Price and Quality of Service

Town.	Municipal or Company.	Average Price per 1000 Feet.	Candle Power.
London—		<i>d.</i>	
Commercial . . . .	Company	28.11	15
South Metropolitan .	"	23.59	16.10
Wandsworth . . . .	"	23.96	14.70
Sheffield . . . . .	"	16.27	17.37
Newcastle . . . . .	"	20.63	16.10
Plymouth . . . . .	"	20.85	14.50
Bradford . . . . .	Municipal	23.44	17.50
Bristol . . . . .	Company	23.48	15.96
Bath . . . . .	"	24.38	16
Birmingham . . . .	Municipal	24.40	16.10
Oldham . . . . .	"	25.14	18.77
Salford . . . . .	"	27	19.45
Carlisle . . . . .	"	27.56	19.50
Manchester . . . . .	"	27.72	15.30
Leicester . . . . .	"	28.19	14.21
Derby . . . . .	Company	29.73	16.29
Rochester, &c. . . .	"	29.80	15.68
Nottingham . . . .	Municipal	29.90	16
Portsea . . . . .	Company	30.68	14.20
Bolton . . . . .	Municipal	31.26	18.27
Brighton . . . . .	Company	34.13	15.52

Excluding the London Companies, the average was :—

Companies . . . .	23.17d. per 1000 feet sold.
Municipalities . . . .	26.48d. " "

which shows that the Companies average charge was over  $3\frac{1}{4}$ d. per 1000 cubic feet lower than the charge of the municipal gas works. And that in spite of the fact that upon the whole the municipal concerns were in closer proximity to the coalfields than those of the companies.

Now turn to the cost of public lighting. The

# Socialism in Local Government

following table is compiled from Parliamentary Returns, Nos. 393 and 394, of 1906:—

Town.	Municipal or Company.	Price.	Remarks.	Candle Power.
		£ s. d.		
Birmingham . . .	Municipal	0 1 0	Discount 5%	16.32
Sheffield . . .	Company	0 1 2	.....	17.37
Newcastle . . .	"	0 2 0	15½% discount	16.20
		to	and 2½% additional if lamps lit all the year	
		0 3 5		
Northampton . .	"	0 1 11	Discount 10%	17.50
Bristol . . .	"	0 1 9	.....	15.29
Bath . . .	"	0 1 11	.....	16
South Metropolitan (London)	"	0 2 0	Discount 5%	14.5
Darlington . . .	Municipal	0 2 0	.....	16.02
Hartlepool . . .	Company	0 2 2	Discount 10%	15.85
Tottenham . . .	"	0 2 1	Discount 4%	15.74
Glasgow . . .	Municipal	0 2 1	.....	20.25
Derby . . .	Company	0 2 1	.....	15.50
Halifax . . .	Municipal	0 2 3	Discount 8½% to 17½% according to consumption	17.51
Gas Light Company (London)	Company	0 2 2	.....	16.48
Wandsworth . . .	"	0 2 2	.....	15.50
Nottingham . . .	Municipal	0 2 2	.....	15.86
Leeds . . .	"	0 2 3	Discount 2½% to 5%	18.2
Scarborough . . .	Company	0 2 1½	.....	15.88
Cheltenham . . .	"	0 2 4	Discount 5%	15.77
Salford . . .	Municipal	0 2 3	.....	19.45
Maidstone . . .	Company	0 2 4	.....	14.50
Blackpool . . .	Municipal	0 2 4	.....	18
Commercial (London)	Company	0 2 4	.....	14.9
Liverpool . . .	"	0 2 6	10% discount	20.70
Ipswich . . .	"	0 2 6	5% discount	15.20
Birkenhead . . .	Municipal	0 2 6	5% discount	19.5

# Price and Quality of Service

Town.	Municipal or Company.	Price.	Remarks.	Candle Power.
Manchester . . . .	Municipal	£ s. d. 0 2 3	.....	15.30
Middlesbrough . .	"	0 2 4	.....	15.50
Dundee . . . . .	"	0 2 4	.....	20
Bolton . . . . .	"	0 2 9	Discount 3d.	18.27
		Price per Lamp.		
Macclesfield . . .	"	1 9 4	.....	18
Huddersfield . . .	"	1 13 0	.....	15
Cardiff . . . . .	Company	1 19 2	.....	16.65
Hornsey . . . . .	"	2 2 0	.....	15.99
Sunderland . . . .	"	2 9 0	Including lighting, cleaning, and extinguishing	15.50
Burnley . . . . .	Municipal	2 10 0	Lighting, cleaning, and repairs	17.76
South Shields . .	Company	2 12 0	Lighting, cleaning, and extinguishing	14.98
Chester . . . . .	"	2 14 6	Lighting, cleaning, and maintenance	16
Stockport . . . . .	Municipal	2 15 3	Lighting, cleaning, and maintenance	18
Commercial (London)	Company	2 9 0 to 3 9 0	.....	14.9
Hull . . . . .	"	2 15 0	.....	15.63
Walsall . . . . .	Municipal	2 15 0	.....	15.5

The above comparison is particularly interesting, because, excepting water, the supply of gas is the only kind of manufacturing undertaking in which private enterprise enjoys an unlimited franchise. That is to say, the gas company is not usually subject to purchase by the town after a term of



## Socialism in Local Government

years, like electricity and tramway concerns. It is, therefore, important to note that with equal opportunity, private gas companies' charges are lower than those of municipalities.

*Electricity.*—As to Electric Light undertakings, a Return presented to the House of Commons in January, 1908, gave the average price per unit charged by local authorities and companies in the Metropolitan Police District, for Power and Heating, Private Lighting and Public Lighting :—

	Power and Heating.	Private Lighting.	Public Lighting.
	<i>d.</i>	<i>d.</i>	<i>d.</i>
Local Authorities .	1.301	3.677	1.850
Companies . . .	1.450	3.833	1.620

A prominent feature of this Return is the small amount of public lighting done by companies. As we have observed, the price of electricity depends largely on the extent to which the undertaking supplies street lighting, and we may assume that this fact accounts for the small difference in average prices shown by the Return. The table shows that while the companies supplied for public lighting only 4,377,875 units out of a total of 125,379,278 units delivered, the local authorities supplied 16,578,716 units for public lighting out of a total of 87,795,001 units delivered. It may be added that many of the Metropolitan municipal undertakings show heavy deficits each year. Due allowance must also be made for the fact that companies have only a limited

## Price and Quality of Service

franchise, while municipalities have a perpetual franchise.

The latest development of private enterprise (bulk supply companies) provides electricity at lower rates than the local authorities.

*Tramways.*—Any extensive and fair comparison of the fares and service of companies as compared with municipalities is not possible. The fact that tram companies only enjoy a limited life while municipalities have an unlimited franchise places the former at a considerable disadvantage. With only a life of twenty-one years before it, a Company has to build up its business quickly and make a profitable return in a limited number of years to cover its initial expenditure and losses. It is, therefore, forced by these circumstances to charge higher fares than it would do if it had a perpetual concession. Moreover, municipalities, as a rule, took over the most successful private tramway systems when they had reached a profitable stage after a hard struggle.

Nevertheless, in spite of these disadvantages, it is doubtful whether private companies charge a higher price than municipalities, when the local conditions are equal. Taking the following towns, in which the advantage of situation, density of population, &c., are all on the side of the municipal concerns, and making allowance for those facts, there is no essential difference either in service or fares and distance. Halfpenny fares are omitted, as only three municipalities and no companies give them. The average distance of the halfpenny fare is about two-thirds of a mile.

# Socialism in Local Government

	1d.	2d.	3d.	4d.	5d.	6d.
Municipal—	Miles.	Miles.	Miles.	Miles.	Miles.	Miles.
Glasgow . . . . .	2.30	4.59	6.90	9.19	10.77	12.93
Manchester . . . . .	2.10	3.34	4.68	6.45	...	...
Liverpool . . . . .	2.40	4.38	6.66	8.54	10.43	...
London County Council <sup>1</sup>	1.85	4.05	5.98	...	...	...
Companies—						
London United—						
Middlesex and London	2.07	4.17	6.18	8.80	10.16	11.16
Surrey . . . . .	1.84	3.70	5.42	7.21	8.90	...
Norwich . . . . .	1.46	...	...	...	...	...
Dublin <sup>1</sup> . . . . .	1.50	3.0	4.50	...	...	...

Generally, to summarise the facts, it will be found that when the whole field is surveyed, any comparison of average prices is likely to show that public authorities charge less than private companies. The information available, however, is wholly insufficient to enable a sound opinion to be formed on the point. Assuming that authoritative and complete statistics could be compiled, any attempt to match the two forms of enterprise would be rendered useless by the factors we have already discussed, viz:—

- (a) That municipalities have occupied the richest fields of trade, and ought to be able to afford to charge low prices, while private traders have been left in possession of poor areas of trade, and in many cases are the pioneers in new and, at present, unremunerative districts.
- (b) Municipalities can favour their own undertakings by high charges—for street lighting, for instance.

<sup>1</sup> Approximate figures.

## Price and Quality of Service

- (c) The limited concessions to companies operate to prevent the introduction of costly improvements which would tend to lower prices. A notable example of this is the transition from horse to electric traction on tramways.
- (d) To the prices charged by municipalities should be added the losses incurred on the undertakings, for this has to be borne by the consumer in the rates which he pays either directly or indirectly.

With respect to the quality of the service, on the whole such information as is available goes to prove that the difference between private and municipal enterprise is in favour of the former. At present, many of the municipalities are reaping the benefits of the experience of the companies they have superseded. Private enterprise is responsible for every fresh advance in methods and economy of production, and the municipalities profit by this essential element of successful industry. The rivalry between the two forms of enterprise naturally spurs the municipalities to greater efforts to show at least as good a record as their competitors. It is too probable, however, that when this stimulus has been removed by the extinction of private enterprise in gas, electricity, tramways, and other concerns, the municipal departments will lapse into stagnation and inefficiency, and that all the inherent vices of central governmental departments will be repeated.



## VIII

### PUBLIC *VERSUS* PRIVATE ENTERPRISE

So far we have endeavoured to test the relative capacities of private and municipal trade by an investigation of the financial results. Notwithstanding the paucity of accurate information, it is clear that municipalities cannot trade with such monetary success as private business men ; nor do they furnish proof of a better service and a lower price under equal conditions.

There are, however, wider and more general reasons which go to show that public enterprise is not so efficient as private effort.

It has been well said that the admitted functions of government cover a far wider field than can easily be included within the ring fence of any restrictive definition, and that it is hardly possible to find any ground of justification common to them all, except the comprehensive one of general expediency. Nevertheless, the duties of government, whether central or local, have usually been divided into two classes : (1) necessary or compulsory ; (2) optional. Within the latter category falls the disputed right of government to trade.



## Public versus Private Enterprise

A strict interpretation of the term "Government" would exclude trading. Indeed, it is noteworthy that no real answer has been given to the contention advanced by opponents of municipal trading that it is against all the canons of sound government for any body of men to engage in a trade and at the same time to be entrusted with the administration of laws designed for the protection of the public and regulative of that trade. As the State, through its central or local authorities, interferes more and more every year with the operations of commerce, this anomaly becomes a source of serious danger to the welfare of the community. It is useless for municipal traders to contend that the laws in question are necessary only in the case of *private* and not *municipal* trade. For, as we know, the motives and the fallibility of men are the same in both cases. The municipalities are out to make "profits"; so are the companies. The directors of both are human and liable to err. In fact, the interest and the responsibility of the municipal councillor is less than that of the company director, and the municipal undertaking is, therefore, more likely to offend against the laws. The municipal gas department is not so rigidly inspected by the municipal inspector as is the private company. The bye-law against overcrowding of tram-cars is frequently a dead letter where municipal tramways are concerned. It is not likely that the municipality will prosecute its own electrical works for committing a smoke nuisance. A municipality has even been known to secure powers from Parliament to protect it from the general law relating to nuisances. And when it

## Socialism in Local Government

becomes a question of permitting electric or motor buses to cater for the passenger traffic of a borough, the municipality refuses consent in order to protect its tramways from competition. Therefore, no distinction of treatment, so far as the law is concerned, can be admitted. The regulation of private trading by local government becomes a farce when the local authority becomes both trader and administrator too. The municipal councillor, as the depository of power, though representative of a majority of the people, is quite as likely to encroach on the rights of the people when he is running a municipal trading concern as is any company director.

In addition to this objection, there are others equally important. It is not to be disputed that every additional trading function administered by a local authority, particularly in the great provincial towns, is a fresh burden upon a body already overwhelmed with work. The whole trend of legislation is increasingly towards devolution to local government of many important matters hitherto administered centrally. In the past twenty years, innumerable Acts of Parliament have placed new responsibilities upon local authorities. Further, there has been a formidable movement towards the reduction of what a President of the Local Government Board has described as "a chaos as regards authorities, a chaos as regards rates, and a worse chaos than all as regards areas of taxation." This tendency to concentrate all local administration in one body is seen in the abolition of the old School Boards, and the placing of Educational duties upon the shoulders of the Municipal Authorities. Desirable though it may

## Public versus Private Enterprise

be to secure uniformity and simplicity in local affairs, the inevitable effect of overloading local bodies with work is to discourage the ablest men from taking part in civic affairs. The ability to organise, the capability to master intricate problems, and to form broad judgments, so valuable in commercial life, have hitherto been largely at the disposal of municipalities. It has been the glory of British Local Government that it has had the advantage of the services of the leading business men in the great cities. Now, there are signs of decay in the *personnel* of our Municipal Councils. It is becoming difficult to induce the principal business men to enter civic life. The duties of a councillor are so onerous and demand so much time that it is not possible for them to successfully undertake both public and private work.

The Lord Mayor of Birkenhead has stated that, "they found that men of ability and experience, whose services would be very useful to the town, were not prepared to give that service for the public good." On the same occasion, Alderman Maxwell, of Liverpool, complained that "very great apathy was shown in connection with the municipal affairs to the great detriment of the City." Councillor D. Boyle, of Manchester, stated in a lecture delivered at Ancoats in February, 1906, that "he thought the City Council as a whole was undoubtedly degenerating, and he often wondered when the leading spirits were no longer in their places what would become of the Council, for nobody seemed to be rising up to take their places. The best men were not going into the Council. The *personnel* of the

## Socialism in Local Government

members was not of that high character and wide experience that it was years ago. It was a question for the ratepayers of a great community like Manchester to see that their civic council was not brought down to a mere pettifogging level."

This deterioration in the character and ability of municipal councillors affects not merely the conduct of municipal undertakings, but all the other branches of local administration. The loss occasioned by it cannot be measured in money. The abstention of the chief citizens from taking part in civic affairs opens the door to maladministration and corruption. The Council Chamber is occupied by men of small capacity and narrow minds, and by men with axes to grind. A natural consequence of overburdening Local Government, then, is that many things are bungled, others not done at all, and officialism becomes rampant.

The two reasons which we have just considered tell powerfully against municipal trade. To them may be added the arguments advanced by Mr. J. S. Mill, in his consideration of the limits of the province of government; "the danger of unnecessarily swelling the direct power and indirect influence of government, and multiplying occasions of collision between its agents and private citizens; and of the inexpediency of concentrating in a dominant bureaucracy, all the skill and experience in the management of large interests, and all the power of organised action, existing in the community; a practice which keeps the citizens in a relation to the government like that of children to their guardians." It is a serious and ill-recognised feature of Administrative Socialism

## Public versus Private Enterprise

that it concentrates all the hopes and fears of the citizens upon the Government. No more infallible than any other body of men, a Government cannot afford to focus upon itself all the complaints and grievances of all the citizens. If we could refer to Local Government all the mistakes and offences we suffer every day, the country would be in a constant state of turmoil and revolution.

In considering the relative merits of Private and Municipal Trade, one important difference in liberty of action is apt to be overlooked. Private enterprise may range at large. "National frontiers and local boundaries do not exist for it." On the other hand, Municipalities are, as a rule, confined to their own areas. As we shall see later, "So long as private enterprise can range over the whole country, whilst municipal enterprise cannot cross its own little boundary, so long will the attainment of the maximum of economy and efficiency by the municipality be impossible." The advantage lies with private trade.

The transfer of so huge a share of private enterprise from individual or private firms to joint-stock companies is used by Administrative Socialists as an argument in favour of municipal trading. Adopting the dictum of Mill, that joint-stock management has by no means the advantages in energy and self-interest over public government which enterprises managed by individuals have, the Socialist draws a comparison between the Board of Directors of a Company and the Council of a town. "We are willing to admit," says he, "that individual effort is better than corporate action. But commercial



## Socialism in Local Government

affairs now are largely in the control of joint-stock companies, which correspond to municipal corporations ; the latter, in effect, are Boards of Directors, with the ratepayers as shareholders ; Municipal Councillors and Directors alike being amateurs carrying on business with other people's money." Others, not so bold, are content to draw an analogy between municipal trade and private co-operative societies.

These arguments, however, are fallacious.

In the first place, only about a tenth of the business of all kinds that is done in this country is in the hands of joint-stock companies. In the second place, it is generally admitted that a business owned by a private individual is usually more efficient than a joint-stock company. Therefore, if the best interest of the country is to be considered, the movement ought to be not towards municipal trade, but back to individual trading. The success and stability of joint-stock companies is largely owing to the fact that when an individual has well established a business, he transfers it to a company, which thus enters into possession of a successful going concern. The initial difficulties are overcome by individuals, and, like the municipalities, the joint-stock companies enjoy the result. Anything, therefore, which tends to destroy the individual pioneers of commercial progress is likely to be disastrous to the welfare of the nation. In the third place, there are fundamental differences between companies and municipal bodies which cannot be ignored. The two bodies *are* similar, at first sight. So is a genuine diamond and an imitation one. The first great distinction is this—a joint-stock company is a *voluntary*

## Public versus Private Enterprise

association for a *single* object, governed by paid elected directors, who are specially chosen, either for their knowledge of the business, or because they can exercise influence in securing custom. A municipal corporation is a *compulsory* association of rate-payers for *innumerable* objects, mainly governmental, not trading. The councillors are not elected solely because they will be capable directors of an electric light works, a gas concern, and a tramway system. In the vast majority of cases they have no knowledge or experience of those or similar undertakings, and certainly the fact of securing election as a municipal councillor is no evidence of business capacity. Education, licensing of music halls, drainage, &c. &c., are the vital questions at local elections, to say nothing of the political considerations which govern the choice of candidates. Moreover, councillors are not paid directors, nor have they any serious financial interest at stake.

In these two elements lies a whole world of difference. No man or woman can be forced to become a shareholder in a private company. There is freedom of choice as to incurring liability. In the case of a town, a large minority of the rate-payers are forced against their will into a *compulsory* share in speculative trading ventures. Their credit is pledged against their wish. To take a popular example. Suppose by means of the referendum an opportunity had been given to the ratepayers of London to express their opinion whether they should be made shareholders in that disastrous municipal venture, the London County Council Thames Steam-boat Service. How many would have returned a

## Socialism in Local Government

negative answer? A great proportion, and yet, under the present system, all have to share the loss.

Again, it is indisputable that in the general run of joint-stock companies, the stimulus of gain is greater in the directors than in the municipal councillors. The shareholder, too, has a more direct interest than a ratepayer. The municipal director has a thousand and one things to consider besides the condition of the town gasworks; and the ratepayer likewise. Therefore, as with all Government undertakings, the ratepayer (shareholder) cannot exercise the effective control necessary to ensure success. "The one drawback," as Mr. G. B. Shaw confesses, "to public enterprise, is municipal inertia. It is as possible for a local authority, as for an imperial government, to do nothing over and above the work that cannot be left undone without obvious and immediate disaster. Private enterprise, on the other hand, must discover and supply public wants or else starve."<sup>1</sup>

Writing upon the general dissatisfaction with the conduct of municipal affairs in Birmingham, Councillor J. S. Nettlefold stated as one of the causes, that municipal trading was "not on business lines."

"It is time we recognised that business must be conducted under very different conditions from those existing forty years ago. Competition has increased in intensity of late years, and successful manufacturers have been obliged to overhaul and reorganise their businesses. The Corporation, however, is without competitors, and has therefore not been obliged to look so searchingly into its position.

<sup>1</sup> *The Common Sense of Municipal Trading*, p. 53.

## Public versus Private Enterprise

It is high time to inquire whether our municipal trading is conducted on the best business lines. We supply the water, the gas, and the electric light for over half a million people ; we make and keep the roads, organise the trams, and provide baths and parks. We manage property, in land and building, worth at least £2,000,000. Each of these is in itself a huge commercial undertaking. Each requires permanent men of first-rate ability, who are conversant with the latest developments in their own line. This is in addition to the general direction of affairs by the popular representatives. At present these large business undertakings are conducted without the spur of competition, or adequate rewards to the successful. The only controlling influence is a fear of public opinion which cannot be sufficiently informed on detail to be a safe guide in matters of business. A private business managed on these lines would sooner or later result in failure. Municipal concerns do not fail, but the rates rise, and no one knows the reason why.”<sup>1</sup>

Mr. E. E. Leigh, Counsel to the Speaker and Chairman of the House of Commons, stated, before the Joint Select Committee on Municipal Trading, that practically the whole of the gas undertakings had been originally founded by a company, and subsequently purchased by the municipality. “In fact, one may say broadly, municipalities never invented or initiated anything either with regard to tramways, or gas or electric lighting, and yet when a company has become flourishing, they have been rather forced in a corner to sell their undertaking.”

<sup>1</sup> *Birmingham Gazette*, Sept. 17, 1908.

## Socialism in Local Government

As against these objections it has been urged that no injustice is done by forcing a ratepayer into compulsory co-operation where the municipal trading concern is a natural monopoly used by every householder. But how many municipal undertakings are natural monopolies used by every ratepayer? Water supply is the only one which promises to be permanent and not subject to supersession. And if municipal enterprise were limited to that matter alone, there would be small room for controversy.

To return to the other analogy which has been alleged, viz. that municipal trade is merely a form of co-operation, the above criticisms are equally applicable. In fact, the analogy is not a wise one from the municipal traders' point of view, because municipal trading is concerned chiefly with manufacture, and co-operation is mainly confined to a cash retail trade. The failure of experiments in co-operative manufacturing, as Major Darwin suggests, may be "partly due to some of the very causes which militate against success in Municipal Trade."<sup>1</sup>

Moreover, in a co-operative society each member has a voice in the management. This is not so in the case of municipal co-operation. In very many towns there is an ever-increasing number of important ratepayers (limited liability companies) whose credit is pledged, and who have no municipal vote. Local Government Board Return (No. 215 of 1906) gives particulars of the rateable value of the rateable hereditaments in seven boroughs in respect of which no right of voting exists because they were occupied by Corporations or Joint Stock or other Companies.

<sup>1</sup> "Municipal Trade," *Independent Review*, Jan. 1906.



# Public versus Private Enterprise

Town.	Total Rateable Value.	Rateable Value of Companies, &c.	Percentage of Total Value.
	(thousands) £'s	(thousands) £'s	
Birmingham . . .	2888	809	28.0
Leeds . . . . .	2073	550	26.6
Liverpool . . . .	4568	1480	32.4
Manchester . . . .	4119	1317	32.0
Sheffield . . . . .	1784	537	30.1
West Ham . . . . .	1292	449	34.7
Holborn . . . . .	1030	315	30.6

Would any one venture to assert that the principles of co-operation were being followed in the case of a co-operative society where an important body of members contributed 30 per cent. of the liability and yet had no vote in the election of the directors? Yet here we have such a state of affairs in the supposed "analogous" municipal co-operative trading; and strangely enough, the advocates of this "municipal system of co-operation" have strenuously opposed the giving of any vote to these disfranchised members. It is not true, therefore, to assert "that municipal trading is based on the same principle as co-operative trading."

To summarise our conclusions from the foregoing considerations, it appears then :—

1. That it is contrary to public policy to combine the functions of trading and government in one administrative body.

2. That the addition of trading duties to the already heavy responsibilities of local authorities tends to the decay of *personnel*, the introduction of

## Socialism in Local Government

inefficiency, waste, and corruption, to the establishment of a dominant bureaucracy, and to the loss of the vital energy and intelligence of individual initiative.

3. That Administrative Socialists base their advocacy of Municipal Trade upon the analogy of joint-stock company trading, which, it is generally admitted, is not so efficient and economical as the enterprise of private firms and individuals. Moreover, the latter are the pioneers of commercial progress, and anything which threatens their extinction is a step in the direction of loss of commercial supremacy.

4. That the analogy of co-operative societies is equally unsound.

## IX

# THE LESSON OF STATE ENTERPRISE

THE chief and overwhelming objection to public enterprise lies, as we have seen, in its inferiority to private effort. Towns which have taken over flourishing semi-monopoly concerns established by private companies have not been as yet severely tested by the effluxion of time and the progress of invention. Except in the case of gas undertakings, where private enterprise has indubitably proved its superiority, municipal trading is largely in the experimental stage. What is or will be the character of municipal trading establishments can only be gauged from an examination of the analogous services rendered by our huge central Government departments.

What is the general verdict of public opinion upon State industrialism as seen in Government establishments? "It has," says Mr. Rae, "one great natural defect—its want of a personal stake in the produce of the business it conducts, its want of that keen check on waste, and that pushing incentive to exertion which private undertakings enjoy in the eye and energy of the master. This is the great tap root from which all the usual faults of Government

## Socialism in Local Government

management spring—its routine, its red tape spirit, its sluggishness in noting changes in the market, in adapting itself to changes in the public taste, and in introducing improved methods of production." The outcome is "an unprogressive, unenterprising, uninventive administration of business."<sup>1</sup>

If necessary, many volumes might be printed of facts illustrating this wholesale censure. The numerous Reports of Royal Commissions and Parliamentary Committees upon Government Departments, issued during the last century, teem with examples. Whether it be the Committee of 1828, the Sebastopol Committee of 1856, the Commissions of 1880-6, or the various Commissions following on the War in South Africa, each has its sorry tale of public failure.

Take, for instance, the Ordnance Department, an important manufacturing establishment. The evidence given before the Sebastopol Committee away back in the 'fifties contains a ludicrous instance of official incompetence. Having decided to set up machinery for making guns, the Department bought the ordinary kind of pig iron and made about one hundred guns. Not one was used. "They were pronounced rotten." Then the Department decided to manufacture rifled cannon. Sir William Armstrong handed over his patent to the War Office; was appointed Superintendent of the Royal Gun Factory, and chief engineer of the rifled ordnance department. A business was set up at Elswick by the War Office at works previously owned by Sir W. Armstrong, and £85,000 was advanced. Directly

<sup>1</sup> *Contemporary Socialism*, p. 409.

# The Lesson of State Enterprise

after this transaction the officials at Woolwich set up a factory of the same kind, apparently with a view of controlling the price at Elswick! Another Committee upon Ordnance sat in 1862-3 and evidence was heard of the "most portentous character." The consequence of Government enterprise in gun manufacture was thus summed up by Admiral Halstead in June, 1864: "The result is that the largest and most costly fleet of the world, entrusted with the security of the largest maritime empire, has long been presented to all but England's eyes without a gun fit for the special warfare of the day, and with special guns fit for no warfare whatever." The cost of this venture was nearly three millions of money. The extraordinary feature of the matter was that such famous men as Bessemer and Whitworth, as well as Armstrong, were quite ready to start in competition to produce the best guns. Ultimately, Sir W. Armstrong severed his connection with the Government at Elswick, received £65,000 as compensation, set up a manufactory at Elswick, and supplied the best guns to foreign Governments. That was the end of the "gigantic ordnance failure," which has been repeated at intervals in the Ordnance Department ever since. Not the least remarkable feature of this piece of history is that Sir William Armstrong was able as a private manufacturer to bring the science of manufacturing artillery to a high standard, an achievement which he found impossible under Government.

Describing the condition of the Army in 1887, Lord Randolph Churchill stated, in a famous speech, that "Our horse artillery . . . is armed with what



## Socialism in Local Government

Lord Wolseley has described as the worst gun in Europe. . . . Our British Infantry . . . is armed with rifles which have proved in action to be defective, and of inferior description, while the bayonets bend and twist when strain is put upon them. Our cavalry are armed with swords of equally bad manufacture. . . . There is a very important department of the War Office—the Ordnance Department—and that department is under the impression that they are capable of designing heavy powerful guns. In 1883 or 1884 they designed a gun called the 43-ton gun, and they called upon Messrs. Armstrong & Co., of Elswick, to construct fifteen of these 43-ton guns. Messrs. Armstrong, who knew more about gun-construction than the Ordnance Department, suggested that the design was bad, and that it would be a bad gun. The Ordnance Commissioners told Messrs. Armstrong to mind their own business and to make the guns. The guns were made, and cost something like £100,000, and when they were made they were sent to Woolwich and were to be sent to sea in the ships of war. At this moment there comes forward Captain Noble—who had been formerly employed by the Government, and who is, I believe, a director of the Armstrong company—and says, ‘Do not send those guns to sea: they are bad guns and cannot stand the charge which you are going to place in them.’ The Ordnance Department told Captain Noble to mind his own business, and the guns were sent to sea—four of them on board the *Collingwood*, a ship as to which I shall have something to say to you presently. And what happened? One of these

## The Lesson of State Enterprise

guns burst when the second round was fired, with only half a charge. The whole of the guns were recalled and condemned, and an expenditure of some £100,000 was found to have been wasted. Now, mind you, the Ordnance Department was told by the contractors that the guns were bad before they were constructed . . . and yet the guns were ordered to be made, the guns were sent to sea, and the guns burst. Now, would you believe it—if we had to go to war to-morrow, four of these precious guns are being kept in reserve in order to be placed on board the *Collingwood*, which will be one of the ships we would have to rely on as part of the British fleet. Therefore, the sailors of the *Collingwood* will know that . . . they are supposed to engage heavy artillery with guns which it is at least a thousand to one will burst when fired with more than half a charge. You would think, and any practical person would think, that the officials responsible for these guns would have fled from the country, or at least have been dismissed from the public service. Not a bit of it. The officials responsible for these guns are occupying high official positions in the War Office at the present moment. And they are now engaged in spending large sums of money in the construction of what are called 110-ton guns, which are to fire 1000 lbs. of powder and to discharge enormously heavy shot; and the Royal Commission has been investigating the reports relating to these guns, which cost over £20,000 each and can only fire about 150 rounds. The report says, in a very mild but suggestive manner: 'They regret to remark that the result does not

## Socialism in Local Government

appear to be equal to the expenditure, and that it is very unfortunate if nothing better can be devised.' It may be observed that these 110-ton guns were failures. In the matter of gun manufacture, private enterprise is always far in advance of the Government's Ordnance Department.

"We will leave the War Office alone for a moment," continued Lord Randolph Churchill, "and turn to the Admiralty. It would appear that we have a very powerful fleet on paper; but if you look into the facts, it is not so powerful. In 1883 two large ships were launched, the *Ajax* and the *Agamemnon*, built for having great offensive power and great speed; but unfortunately it was found when they were launched and went to sea that if they went faster than eight miles an hour they would not steer, and became utterly unmanageable, and, therefore, for all purposes of a ship of war, they were seriously defective. What do you think those two ships cost? They cost £800,000. Eight hundred thousand pounds was spent on these two ships of war, which could, in all probability, be sent to the bottom by any adversary of anything like equal size which could steer and be handy when at full speed. Some years later they turned out the ship *Imperieuse*, which was to be armoured in a particular way. When they came to send her to sea, they found that she drew 3 feet 3 inches of water more than she was designed to draw. Observe the result. The armour which she would have had above water now became below water. She was supposed to be a powerfully protected ship, but in consequence of her construction she became

## The Lesson of State Enterprise

unprotected ; and on the *Imperieuse* the Admiralty spent £500,000. Then the Admiralty went on, not in the least discouraged, to construct six very large ships of what are called the 'Admiral' class. The 'Admiral' class are ships named after the great admirals, and one of the 'Admiral' class is the *Collingwood*. They are supposed to be protected ships, and supposed to be able to engage the heavy artillery of land forts or hostile ironclads. But this is certain, that so badly constructed is this class of ships, so little is the protection they have, so unscientifically is that protection applied, that for all intents and purposes the 'Admiral' class of ships are unprotected, and are not in a condition to engage successfully heavy land artillery and the heavy artillery of ironclads. This class cost £4,500,000. Some are finished ; others will be finished in 1889, and it is on the 'Admiral' class that the British nation have greatly to depend if they have to defend their coasts and their commerce. Think of the position of the sailors on board the *Collingwood*. The *Collingwood* is one of this class. The sailors of the *Collingwood* know they have a gun which is likely to burst if it is fired, and that they are in a ship which, so far from being a protected ship, can be perforated at half-a-dozen vital points by the artillery of the enemy and sent to the bottom. But the Admiralty were not content with that, and they proceeded to construct two other ships—the *Victoria* and *Sans Pareil*—and of those ships I will only say that a person very high in office in the Admiralty considers those two ships to be even worse than the ships of the 'Admiral' class : and on those two ships they propose to spend £1,600,000.

## Socialism in Local Government

I have proved to you that a total expenditure of £7,400,000 has been incurred by the Admiralty practically for no purpose at all, and in 1885 it occurred to the Admiralty that they would not do badly to change the constructor who was mainly responsible for this splendid effort at shipbuilding. . . . Now I have to draw your attention to seven more ships to be constructed by the Admiralty, and designed in 1884. They are called belted cruisers, ships of the 'Australia' class, that is to say, *Australia* is the name of one of the ships. They are designed to have a belt of armour running round their sides five feet six inches wide, and it was intended that no less than eighteen inches of that armour should be above the water-line, so as to protect the ship from any hostile shot. It is now discovered that when the ships have got their full quantity of coal on board to enable them to keep the sea, the belt of armour to protect them, instead of being eighteen inches above the water-line, will be six inches below it. The total cost of those seven ships will be two millions of money, and what I have told you about those seven ships is fully and frankly admitted by the First Lord of the Admiralty. In the official document which he laid before the House of Commons, explanatory of the Navy estimates for this year, he confessed that if the ships are to keep the sea—that is to say, if they are to have a sufficient supply of coals on board—the armour will be six inches below water, and that they will be unprotected. This confession has not yet attracted notice. What is the grand result of all this? The result of all this is, that in the last twelve or thirteen



## The Lesson of State Enterprise

years eighteen ships have been designed by the Admiralty for certain purposes, and on the strength of the Admiralty statements Parliament has faithfully voted the money. The total money which has been voted for these ships has been about ten millions of the money of the taxpayers, and it is now discovered, and officially acknowledged, that, in respect of the purposes for which these ships were designed, and of the purpose for which that ten millions was spent, the whole of the money has been misapplied, wasted, and thrown away.

“ . . . We pay a large sum of money for engineers at the dockyards and at the Admiralty ; £100,000 a year for what is called the scientific branch of the Admiralty ; and, further, a considerable sum for schools of design and construction. But the Committee who found out these things report that there is no practical engineering department at the Admiralty with business capacity competent to design engines, and to bring the most varied knowledge and most recent experience to bear on the construction of engines. In other words, although we spend an enormous sum of money upon this extensive department, it has been proved before a Committee to be unable to produce what any competent firm could not do without, namely, a practical engineer. You are aware that a great quantity of rope is used in the Navy. Well, the Admiralty think they can make rope much better than the trade. It was proved in evidence before this same Committee that the cost in the manufacture of rope by the Admiralty exceeds that of the trade by 25 per cent. In this one department alone it

## Socialism in Local Government

was possible for the Admiralty to save £50,000 a year. The Royal Commission presided over by Sir Fitzjames Stephen, which I alluded to in the earlier part of my remarks, makes mention of another matter which I should like to bring before you. We expend a large amount in maintaining at Portsmouth and Woolwich and Greenwich very extensive and perfect chemical laboratories ; yet these perfect and extensive establishments, with all their highly-paid officials, have not yet been able to devise or invent a single fuse which can be relied upon to burst shell. At the bombardment of Alexandria a very large proportion of shells fired never burst, and of those now in use in the British service there is not a single fuse certain to burst a shell " (p. 195).

No wonder the noble Lord appealed for a radical, sweeping, and even revolutionary reform of those two great departments of the War Office and the Admiralty. Judging, however, from later Reports of Royal Commissions, no reforms were effected.

In a second speech, in July, 1887, Lord Randolph Churchill adduced facts as to "the immense difference between the estimates of building ships in dockyards and the actual cost of the vessels," and also the large increase in the cost. "Examining the details of Vote 6, I find that there are some curious facts as to the cost of building ships in dockyards. In 1869-70 the average cost was £55 per ton ; in 1877-78 it was £80 ; and in 1884-85, £109. Therefore the cost of building ships in the dockyards has increased since 1870 by more than 50 per cent., and since 1878 it has increased by £29 per ton. This increase is not accounted for by any

# The Lesson of State Enterprise

increase in the cost of labour. On unarmoured ships the cost of labour since 1878 has only increased by £4. . . . We not only get a mean increase of £5 in the cost of labour, but we get a gross increase of £29 per ton in the cost of building. The price of material will not account for the increase, for there has been an immense fall since 1874 in the prices of nearly all structural materials" (p. 203).

Quoting an article of great ability in the *Westminster Review* of May, 1887, the speaker said :—

"After every possible allowance has been made that the most indulgent and reasonable of censors can allow, after all the difficulties that confront the Admiralty have been fully extenuated, after the necessarily more cautious and circumlocutionary processes common to governmental work have been taken into consideration, there still remains a formidable and apparently unanswerable indictment lying at the door of those who are responsible for our naval expenditure. The charges of wasteful, inefficient, and inadequate administration have been proved to the hilt, not by the impersonal or irresponsible criticisms of the public press, of anonymous pamphleteers, or of foreign rivals, but by the evidence of Admiralty officials themselves, and by the well-considered and weighty deliberations of successive Committees appointed to inquire into the subject. Of such Committees there are two whose recent reports are entitled to special consideration—the first being the Committee on the building and repair of ships ; the second, the Committees appointed to inquire into the Admiralty and dockyard administration and expenditure. They reported in October, 1884, that

## Socialism in Local Government

the Admiralty system failed to show the entire cost of labour on a dockyard-built ship; that the whole question of incidental charges was so obscure as to render unreliable any comparison between the cost of shipbuilding in public and private yards; that the incomplete and meagre character of the specifications furnished by the Admiralty to contractors not only increased the time during which ships were under construction, but also materially enhanced the cost of the work; that the time occupied in building a ship under contract compared favourably with the period of construction in a dockyard, the whole tendency of contract work being to avoid delay; that a heavy expenditure was incurred in refitting ships that have completed their commission when it was really not required, and that the Admiralty would do well to follow more largely the practice followed in the merchant navy, of adding new ships to their fleet in preference to incurring a heavy expenditure on old ones. . . . They found that alike in the general principles of management and in the merest matters of detail the system was inefficient; that in spite of enormous sums voted for machinery and works "the tools employed were of an obsolete character, which must necessarily increase the cost of the work"; that large sums of money were wasted in patching up old ships when a very little more, or perhaps even less, would provide entirely new vessels; that ships were over and over again stripped and "torn up" when about to be placed in a new commission, although no such expenditure was required; that there was a want of touch between the several heads of departments coincidently with

## The Lesson of State Enterprise

too much centralisation of detail, which caused "delay and unnecessary correspondence" ; that the whole administrative arrangements were, in fact, such as no private firm or individual would be likely, even if he could afford it, to tolerate for a moment. But more still remained behind. Two years after the Committee on the building and repair of ships had presented their report, another of these interesting, but, it is to be feared, absolutely unheeded documents was submitted to my Lords of the Admiralty, in which the Committee on dockyard expenditure reported that "the supervision of labour is unsatisfactory, and that idleness and incompetence are practically unchecked" ; that "the want of co-operation between the superintendent and the officers acts unfavourably upon the cost of works in progress" ; and "we can imagine no more unsatisfactory state of affairs, nor one more calculated to subvert all effectual control over the men" ; that "very serious inconvenience and waste of labour are experienced both in procuring articles from contractors and in drawing them from stores" ; that the "condition into which dockyard business has been gradually drifting is, and has been for some years, entirely underrated in the Admiralty department, and, we greatly regret to add, to the very serious detriment of the service" ; that there "is no systematic or concurrent financial control over dockyard expenditure" ; that "duplication of accounts, over-employment of clerks, preparation of voluminous, and in some cases useless, returns, and defective audit" are "defects common to all yards and to all branches of work therein" ; and that as regards "management" the system is seriously



## Socialism in Local Government

defective, and does not secure a fair return for the vast outlay annually absorbed therein " (pp. 204-6).

In a third speech, in September, 1887, Lord Randolph Churchill stated :—

"If the State purchases articles for its own use by contract, it generally pays from 20 to 40 per cent. more than a private individual would do. If the State thinks it will manufacture the articles it wants by itself, the cost for manufacturing is about double what the private manufacturer would incur. These are no mere assertions—they have been proved over and over again by speeches, Committees, and inquiries of all sorts and kinds—they are undeniable facts ; and with all this ludicrous and shameful extravagance in public expenditure, it is admitted by all, at the same time, that we have not real efficiency in our public service and our public departments " (p. 220).

In a speech on "The Cost and Condition of the British Army," in the House of Commons on 8th March, 1888, Lord Randolph Churchill said : "The most remarkable feature of the Crimean War was that while the British soldier was covered with glory, the Civil Administration was covered with the deepest disgrace. But take the series of scandals in the last few years. Besides the scandals connected with the swords and bayonets of the Army and the cutlasses of the Navy, and that connected with the 43-ton gun, there appears to me to be a very unpleasant business at the present moment about what is known as the 9.2 inch gun. We have not quite arrived at the truth about it, but the Secretary of State for War has assured the House that a gun with

## The Lesson of State Enterprise

a cracked lining is a better one than a gun with a lining which is not cracked. These are matters on which we have not yet full information ; but look at the commissariat scandal in Egypt, that terrible and unequalled scandal in connection with the ammunition for the column in the desert. It is not that I want to irritate the authorities by placing upon them personally the responsibility for these matters ; I place the responsibility on the system. The system which has produced these results in the past is the same which obtains up to the present time ; and not in the slightest, in the most trifling particular, has that system been really altered ; it is as powerful for evil now as it was then. We are told that there is a Parliamentary control ; but what has Parliament ever done to bring any single person to justice for these scandals ?" (p. 313).

Lord Randolph Churchill concluded his speech by stating what his position as Chancellor of the Exchequer in 1886 was :—

"I was called upon to defend an expenditure which I knew was wasteful. I knew I should be called upon to sustain and maintain a system and an establishment which was rotten" (p. 319).

Such was the position as regards our Government manufacturing departments twenty years ago ; and such has been the position at any time during the past hundred years. One would think these ruthless condemnations by Committees, particularly in the period between 1880 and 1886, would have led to reform. Unfortunately, as we know to our cost, permanent reform seems to be impossible in any Government establishment. The waters are troubled

## Socialism in Local Government

for a few days after the appearance of these Reports, but they soon sink again into the quiet of ineptitude and inertness. A few officials receive, instead of dismissal, a good pension ; others are promoted to higher positions in other departments ; and the country jogs along thinking great reforms have been effected. And so in 1903 we have a Report of His Majesty's Commissioners on the War in South Africa containing these condemnations :—

“A serious deficiency in the stores and material required, . . . a condition of affairs ‘full of peril to the Empire,’ inasmuch as ‘we were not sufficiently prepared even for the equipment of the comparatively small force which we had always contemplated might be employed beyond the limits of this country in the initial stages of a campaign.’” The deficiency of stores “had been of long standing.” . . . “The factories had fallen into an unsatisfactory condition.” . . . “A great deal of the machinery in the Ordnance factories urgently needed replacement by labour-saving machinery.” . . . “In the way of artillery matériel we were considerably behind other European nations.” . . . “An error of a serious nature in the sighting of the rifles was discovered after the war had been some months in progress.” . . . “The present cavalry sword is the very worst that could possibly be used.” . . . “The reserves of clothing were inadequate to meet even peace requirements.” . . . “The ammunition pouches were defective.” . . . “In the matter of remounts, preparations for war were inadequate.”

The evidence of civilian medical men in the war was, that “the quantity and quality of the equipment

## The Lesson of State Enterprise

prepared and supplied to the hospitals, &c., were defective, and generally they were antiquated and badly organised." . . . "Owing to the absence of soap . . . half the force in South Africa became verminous"—the supply of soap being part of the duty of the Army Ordnance Department! . . . The Royal Commission of 1890 commented adversely on "the want of consultative power which has characterised the administration of the War Office." "In the ten years which followed that Report the evil which it condemned was certainly not removed, though there were some attempts at improvement." Thus showing that the results of Government inquiries and Reports are practically *nil*. The waste and inefficiency continues.

Another condemnatory Report is that of the Royal Commission on War Stores in South Africa, 1906. Dealing with the question of contracts, it states :—

"Most of the contractors who had extensive dealings with the Army were favoured at the expense of the taxpayer. This favour was shown not from any corrupt motive, . . . but simply because it saved trouble to make concessions, and because it was not realised that there was a duty to protect the public funds against the claims of contractors. . . . The business of the Office of the Director of Supplies was conducted with inexcusable carelessness and extraordinary ineptitude, and that of the Pay Department with a want of intelligence that is deplorable. . . . The faults of their administration, in our opinion, spring mainly from . . . irresponsibility, indifference, and want of intelligence. No private firm could avoid bankruptcy if it allowed its agents

## Socialism in Local Government

to deal with business matters in the mode in which these three officers have dealt with the purchase and sale of supplies. The Army Service Corps is, in fact, a commercial undertaking, and its officers should be taught to recognise that it must be conducted on business principles." . . . "We estimate the total preventable loss to the home taxpayer, during the twenty-two months after the peace, as lying somewhere between three-quarters of a million sterling and one-and-a-quarter million sterling."

The Annual Reports of the Comptroller and Auditor General insistently direct attention to serious defects in the military machine, but no attention is given either by the public or its representatives. The Public Accounts Committee is also ignored. In July, 1905, a Report of this Committee severely criticised the Admiralty for incurring an expenditure of £160,000 upon the refit of ships about to be sold as of no further use in the Navy. The Report pointed out that the outlay of this money had not increased the value of the ships, because they are sold for breaking up, and fetch little more than the price of old iron. "Your Committee cannot too strongly condemn so extravagant a policy."

There is one other National Department, the Post Office, which has so far escaped the censure of Royal Commissions and Parliamentary Committees. In fact, the Post Office is the single instance of a trading concern which has been carried on by Government with some apparent measure of success. And though some Socialists condemn it, others claim it as an example of what Government might do in other kinds of trading.



# The Lesson of State Enterprise

It is, however, important not to overlook those facts :—

1. That the Post Office is an absolute monopoly.

2. It has, in consequence, to preserve its monopoly, opposed all improvements, such as telegraphy and telephones, until public opinion has forced it to recognise that the public interest cannot be sacrificed in order that a State department may be free from competition. When the telegraph and telephone proved a commercial success, the Post Office acquired them.

3. Every improvement in the Post Office has come from private individuals outside its establishment.

4. The Post Office work is mainly discharged by private enterprise ; the railways and the steamship lines make it what it is, and without the aid of private effort the Post Office would be a failure.

5. The Post Office has not undertaken a business which requires either manufacture or invention and speculation. "It has made use of existing and well-known agencies, where the only difficulty was one of organisation ; where there were no great experiments to be made ; where there was no risk of great losses ; and no hope of extraordinary gains. . . . There is very little of that speculative element in it which is the life-blood of commercial activity." . . . It has not avoided one peril, "the difficulty of dealing with a large class of servants. No one who has watched the pressure which the services can bring to bear on Government through the medium of members of Parliament will undervalue the danger." <sup>1</sup>

Even the Socialists themselves are apt to condemn

<sup>1</sup> Farrer, *The State in its Relation to Trade*, p. 134.

## Socialism in Local Government

Government departments, and local authorities too. According to Mr. George Haw, a Socialist writer, it is not new Housing Acts that are needed so much as the enforcement of "the sound remedies for slumdom" in the existing Acts. These remedies have not been applied because of "the neglect and incompetence of the municipal bodies, allied with interested parties," and "the neglect and incompetence of the Local Government Board. Throughout several administrations that department has been the most slothful of the many slothful departments of the State. . . . Why is the law not carried out? Why have the Public Health and Housing Acts been dead letters as regards many of their provisions in the greater part of England? We are forced back to our starting point for an answer—The neglect and incompetence of the local bodies, aided and abetted by the neglect and incompetence of the Local Government Board. No wonder the *Liberal Nation* last month as 'one of the most reactionary departments in the public service.' The present Housing Act says the municipal bodies and the Local Government Board 'may' get rid of slumdom. They have not. The proposed Housing Act says the municipal bodies and the Local Government Board 'may' make houses fit to live in, and 'may' prepare town-planning schemes, and they will not. . . . Equally is it the fault of the slothful Local Government Board. As Canon Barnett put it the other day in the *Daily News*, referring to the Poor Law inquiries: 'The inspectors of the Local Government Board hold inquiries into

# The Lesson of State Enterprise

scandals for which they are themselves largely responsible. Why did they not discover and report these matters years ago? We ought to have independent inquiries, in which the inspectors are subjected to examination, for it is their perfunctory inspection which has allowed the growth of such evil.' . . . All over the country the Local Government Board has shirked its municipal duties as shamefully as it has shirked its Poor Law duties!"<sup>1</sup>

Of course the Administrative Socialist, as a general rule, ignores this failure of Government enterprise, or else he attributes the "scandals" to "corruption by contractors"; though, as we have seen, it is not corruption, but incapacity to bargain on the part of officials, that is the chief failing. Buying too dear and selling too cheap indicate "irresponsibility, indifference, and want of intelligence." A further Socialist argument is that "these services are managed practically by the permanent officials, and the result is that they are hardly distinguishable from private companies."<sup>2</sup>

Seeing that Municipal Trading Concerns are almost wholly in the hands of permanent officials, there is no distinction in that respect. In fact the frequent elections to local bodies are constantly changing the *personnel* of the councillors, and give little chance to them to master the work and to check officials. The multiplicity of Municipal duties, too, tends to throw administration more and more under the absolute control of officials. Councillors are simply flies on the bureaucratic wheel.

<sup>1</sup> "Housing and National Neglect." *The Socialist Review*, May, 1908.

<sup>2</sup> Suthers, *Mind Your Own Business*.

## Socialism in Local Government

Again, we may expect a lower capacity for work and less security against neglect and corruption in local authorities than in the legislature and its central departments. The local bodies and their officials are of inferior qualifications as compared with the central government, and their constituents are less critical, and less interested. This inferior capacity, important as it is in matters of ordinary administration, is far more serious when questions of principle have to be settled. The decision of principles is falling more and more into the hands of local authorities ; Parliament is fast losing its prerogative.

No more startling refutation of the theory that every extension of governmental enterprise is accompanied by an automatic growth of public spirit sufficient to produce the highest efficiency is to be found than that afforded by the condition of the Civil Service. After wading through the Reports and the evidence given before various Commissions and Parliamentary Committees, and after perusing the debates in Parliament upon the state of the Civil Service, one obtains a wonderful picture of what the greatest statesman of modern times, the late Marquess of Salisbury, described as "the visible helplessness of Governments."

Without exception, the heads of departments, and members of the Government, confess to a general lack of economy, to over-staffing, and to the unchecked pressure of members of Parliament in defending incompetent servants, and in securing higher wages generally. Lord Welby, after forty years' experience in the Treasury, fifteen years of which

## The Lesson of State Enterprise

were spent as chief of the Finance Department, and ten years as Permanent Secretary, testified that the theoretical control of the Treasury over national expenditure was practically inoperative, and was only exercised spasmodically when public opinion ran in the direction of economy. Instead of filling the essential post of national adviser and censor in financial matters, the Treasury is, in fact, as a straw in the wind. Other eminent public men confessed that there was a tendency in the general body of members of Parliament to advocate concessions to Civil Servants. Sir J. E. Gorst, M.P., stated to the Select Committee on National Expenditure, 1902, that from his experience of the Public Service he could say there was over-staffing in all offices. Though the Treasury had power to make an inquiry into every office to see whether or not there was economical management, so far as he knew that power had never been exercised. "I think anybody who has any experience of mercantile offices, such as a great insurance office, or anything of that kind, would be struck directly with the different atmosphere which prevails in a mercantile office and a Government office." He had "no hesitation in saying that any large insurance company, or any large commercial office of any kind, is worked far more efficiently and far more economically than the best of the Departments of His Majesty's Government."<sup>1</sup>

An examination of the Reports of the various Royal Commissions on the Civil Service, and the Select Committees on the Post Office, show the reason for this inferiority and lack of economy.

<sup>1</sup> *Report of Select Committee on National Expenditure, 1902.*



## Socialism in Local Government

Practically, the ruling idea has been, and is, that a Government employé has "something very nearly approaching to a freehold of provision for life." There is little incentive in chief officials to secure the fitness and discipline which is the life of private enterprise. The political influence of Civil Servants, too, is productive of inefficiency. "We have done away with personal and individual bribery, but there is still a worse form of bribery, and that is when a man asks a candidate to buy his vote out of the public purse." The House of Commons dominates the Treasury, and the Civil Service is practically master of the House of Commons.

We have, therefore, reflected on a more advanced scale in central government the condition of things which inevitably accompanies municipal government.

Turning to the question of corruption, Administrative Socialists generally contend that municipal Socialism "would entirely remove any temptation to commit these immoral actions," and that "these corrupt practices are the direct product of the institution of private enterprise."<sup>1</sup> Now, so far as experience of recent London municipal scandals throws any light upon the subject, in every case it was the members of the municipal body who were the tempters. It was not "private enterprise" that attempted to corrupt the local authority; it was the members of the local authority who blackmailed the contractors. Moreover, strangely enough, it was the Progressive-Socialists, the advocates of Municipal Trading, who were the chief practitioners in corruption.

<sup>1</sup> Suthers, *Mind Your Own Business*, pp. 149-50.

# The Lesson of State Enterprise

It does not need much thought to see that the larger number of commercial dealings a municipality has to discharge, the greater the opportunity for evil. When a vast multitude of matters need attention, a clear supervision by all the councillors is impossible. A hole-and-corner execution of business results, and irregularities creep in.

Even if we suppose that ultimately private enterprise will be extinguished, the viscous, slimy trail of corruption will still be traceable. Councillors and their friends will manœuvre for advantages, and for a larger share of municipal services than is given to the general citizen. Human error and human nature will still exist. Corruption will remain—only in another shape. And if we think out the question, we are bound to conclude that, under a complete system of Municipal Socialism, corruption will be far more rampant than it is now.

Besides the malpractices of individuals and small groups, which, after all, are mere flotsam and jetsam, there has to be considered the larger and graver sort of malpractice by parties, known as “bribing the electors” with dazzling promises, like “lower rents in municipal houses,” “cheaper fares on the trams,” and “lower water charges.” Equally with the sordid blackmailing of contractors is this corruption. For it may well be that circumstances do not warrant any such reductions.

Our line of investigation has elicited facts opposed to the belief that governmental enterprise, either local or general, can be as efficient or progressive as private effort. There has been not

## Socialism in Local Government

merely casual blunders, but persistent failure. There is a dismal average of mediocrity. There is no higher plane to which Government services seek to rise, but a dead level of inefficiency to which they drop. Accepting the Socialist proposition that "the test of the perfection of Socialist machinery is just its capacity to give to the routine industries of the community that spirit and temper which are the note of the freest and highest work," we must answer that the machinery of Government has so far proved to be utterly incapable of producing the spirit and capacity to ensure "the freest and highest work." There is, in fact, much truth in the sarcastic definition of public service, that "the officials labour as little as possible to satisfy the wants of the taxpayers, and the taxpayers labour as hard as possible to satisfy the wants of the officials." The "self-interest" which Socialists assert to be the keynote of private enterprise is reproduced in the collectivist system, only in a different and a more demoralising shape. In private enterprise the interest is to attract public custom by efficient service; in governmental departments that interest does not exist. Private enterprise, if it fails to give a satisfactory service, loses its customers. Government gives whatever service it pleases, and the customer must still pay. His only remedy is the remote one of raising a row in Parliament. Everything in the hands of Government remains stationary, because every State employé relies on receiving his reward for a lower standard of service than is given in private enterprise. Sometimes the spur of advancing industry forces Government to move a

# The Lesson of State Enterprise

stage, but it falls again into torpor until it is once more spurred into advance. So the public service is dragged along, but always far behind the real level of human advance. The greater the mass of Government inertia which the hard-working industrial system has to bear on its shoulders, the slower must be social progress, and the farther back shall we fall in the race of nations. At present the struggle has reached a critical stage. We see the spectacle of private industry threatened with extinction, driven into a narrower compass—

“While hard at the nation’s core  
Eats the burning rust and weevil”

of Administrative Socialism.



## X

# THE EFFECT UPON NATIONAL CHARACTER AND PROGRESS

OTHER considerations are as dust in the balance beside the vital one of the effect of municipal trade upon national character and progress.

The efficiency of the individual is the base of all progress, the social motive force which moves nations upward and onward. How can individual efficiency be best secured? There are two schools of extreme thought, each claiming to know the best plan. The first school believes in pure Individualism—"a largely developed . . . industrial system, with a feeble regulating or governmental system." The second school desires a highly-developed governmental system—State ownership and management of industry, and enfeebled and limited Individualism. Without entering into too lengthy a discussion as to which is the wisest conception of Society, we may take the moderate view that neither of these schools of thought is wholly right, but that the truth lies in a combination of Individualism and State interference, or Government. The evils of Government are thus corrected by the virile forces of Individualism, and the harshness of Individualism is softened by the regulative influence of the State.



# National Character and Progress

What is the exact proportion of these antagonistic but complementary elements which will produce the best social state? This difficult problem can only be answered after an examination of the results of State action upon individuals as furnished by experience. The facts present themselves in this wise. Roughly, when a necessity of the whole community becomes universal and uniform, and private enterprise fails to supply the need, then there is general agreement that the public want falls within the domain of Government. There is, in fact, a collective delegation of power to officials, who are remunerated by the collective contributions of each member of the community. It is to be observed, however, that this involves a sacrifice of efficiency. For the moment the supply of a general need becomes a public service, the liberty and responsibility of the individual is curtailed. The primary effort of the State or Municipality is always to secure a monopoly and to prevent competition. By this means no choice is left to the citizen as to how he shall provide for his various wants. He is given by the Government a rigid, routine service. He obtains not that measure of service which he deems useful, as he did on each occasion when he invoked private aid, but just that amount of help which the Government thinks it right and proper to furnish, whatever be its quantity or quality. "He is less his own master; he is deprived to some extent of free will, he is less progressive, he is less a man. Not only does he no longer judge for himself in a particular case, but he has got out of the habit of judging for himself in any case. The moral

## Socialism in Local Government

torpor which thus gains upon him, gains, for the same reason, on all his fellow-citizens, and in this way we have seen whole nations abandon themselves to a fatal inaction."<sup>1</sup> Nothing, indeed, is more startling nowadays than the habitual indifference of the people to the services given by many important public departments.

This, then, is the distinction between the effect of State and private enterprise. All the human faculties—comparison, judgment, and foresight—remain in exercise under the reign of choice, or private enterprise. Under the Hobson's choice of State service the reverse is the case. The importance of preserving a large field of discretion is seen when we know that every right choice brings its reward, and every mistaken one its punishment. This disciplinary experience improves the individual, and is a prime condition of progress.

Now, with the extension of State service, and the consequential limitation of the freedom of choice, not only is the ability of the citizen lessened, but the loss of responsibility becomes a fatal temptation to abandon other responsibilities. He begins to look upon the State as a thing apart from himself, as consisting of a set of individuals who are providing him with certain needs for which he is not paying. Accustomed to expect everything from the Government, he never accuses it of exceeding its various obligations, but is continually grumbling because it does not do enough. By a combination with his fellow-citizens of similar cast of mind the Government is overthrown, and replaced by another

<sup>1</sup> *Harmonies of Political Economy*, Bastiat, p. 432.

## National Character and Progress

which has obtained power, not by promising to do less, but to do more. So the invasion of private territory by Government enterprise is gradually and ceaselessly persistent.

Of course, it may be said, with some force, that this elimination of the faculty of choice from many departments of life is a relief in our complex modern existence, that the smooth routine of automatic service saves worry and leaves men free to devote their energies to other matters, and that this is all pure advantage. That contention is sound only up to a certain point. We have to maintain a due equilibrium. It is a question of balance. Beyond a certain degree, the abolition of choice is an unmixed evil.

We can tell by an easy test when we have reached the perilous stage which marks the loss of equilibrium. The test is this:—Is or is not the citizen beginning to lose faith in himself, and to look to the State as father and mother of all? Applying that test, it cannot be disputed that in our country at least this child-like conduct, this loss of self-reliance, has become most marked during the past two decades. There has been a strong movement against the prominent feature of all successful nations; the high and constant rivalry of life, the intensity of energy, and the wide freedom which are characteristic of the British race is now decried. The individual is becoming more and more subordinate to and dependent upon Society. Indeed, the Administrative Socialist hails this change as a sign of the growth of Socialism. He glories in it. He terms it "readjustment of the social environment." It

## Socialism in Local Government

is, at the present time, impossible for the student of social conditions to escape noticing the sharp contrast between the Socialist ideal and the real outcome of Socialist practice. Stated briefly, the Socialist scheme of Society claims the attention of all because it promises to secure the highest degree of social efficiency. In practice it tends irresistibly towards an aim which, as a recent writer insists, can never be made consistent with its first ideal. That lower realisation is "the maximum of ease and comfort with the minimum of effort for the greatest possible number of the existing population"<sup>1</sup>—an object which is far from social efficiency, and which spells retrogression.

The conclusion, therefore, to which we are driven is, that the balance between Individualism and State action has been upset by the introduction of municipal trade. We have entered upon a grim, barren region of human stagnation, where reigns a steady decay of all the faculties making for the good development of the race. In our effort to fulfil "the duty of providing such an environment for individual men and women as to give *all*, as far as possible, an equal chance of realising what is best in their intellectual and moral natures,"<sup>2</sup> we have given them the chance to realise what is worst in themselves, and they are doing it. Effort is stunted, intelligence weakened, and responsibility destroyed.<sup>3</sup>

<sup>1</sup> B. Kidd, p. 349.

<sup>2</sup> Ritchie, *Principles of State Interference*, p. 149.

<sup>3</sup> Although we are here discussing only one line of Socialist advance, it is in the highest degree important to note the significance of the Socialist conception of the State. Karl Marx, and the general body of modern Socialists, conceive a materialist State "containing within itself the whole theory of human ends and interests." The result is that all Socialist

# National Character and Progress

*Invention.*—In *Fabianism and the Empire*, a manifesto issued by the Fabian Society in 1900, “the next Government” is urged “to enlarge the powers of local bodies until they are able to force private enterprise into its proper sphere, which is not the exploitation of common needs and ascertained processes, but the sphere of invention, initiative, and the creation of new needs and new industries.” In short, the Administrative Socialist admits the inadequacy and inefficiency of Socialism, and looks to Individualism to supply the means of progress. We are invited to constitute a social condition which may be described as a “compound of Socialistic somnolence and individual diligence.” It needs but a moment’s reflection to arrive at the conclusion that individual diligence would be swamped by Socialistic inertia and obstinate obstruction to the introduction of improvement. “Ascertained processes” are never

thought and action is directed towards the undue elevation of “the State” into a sort of world-God, almighty and all-persistent. To quote M. Paul Leroy-Beaulieu: “The State is the only God of the modern world” (*The Modern State and its Functions*, p. 18). And as Mr. Benjamin Kidd rightly declares, “A condition of Social Democracy, founded on the materialistic interpretation of history, carries with it, in its own bosom, its own answer and its own final criticism.”

The reply of the Socialists to this argument is that they are fighting the gross materialism of the capitalist forces, who act upon the principle that might is right, and that human society is without a soul.

To this our final answer is, that we must lift society towards a finer and a higher conception of social progress. We must strengthen “the spiritual isolation of the individual, resulting in due course in the projection of the individual’s sense of final responsibility outside all institutions and systems of authority organised in the political State, and even outside the State itself.” That spiritual isolation “has been the cause which has made for the highest and most organic type of socialisation that has been reached in the world. It is the cause which is making for the truest and most organic form of Socialism, between which and the Socialism which seeks to impose again upon us, through the State, as the final authority, the absolutisms of the interests and opinions of those at present comprised in it—there is a world of difference” (Kidd).



## Socialism in Local Government

permanent. It is only through the application of discovery to them that progress is made. Under Socialism, the sphere of invention would be mere prison space, and initiative would perish for lack of use. It is only by the persistence of individuals that innovation is made against the powerful opposition of popular opinion. Few can recall the crisis in the life of James Watt, the inventor, "an illustrious follower of science and a real benefactor to the world," when popular prejudice fought against him. Coming to London in 1775, he found himself barred from starting in business owing to the municipal trade regulations. Returning to Glasgow, the Corporation refused to him "the right to open even the most humble workshop," and it was left to the University of Glasgow, which was not subject to the municipal jurisdiction, to set at Watt's disposal a small apartment wherein to work at his inventions. Again, the introduction of the railways and machinery evoked a sturdy resistance. The history of Government enterprise is one long fight against innovation. Assuming public and private oil lighting under a Socialist National Lighting Board, what chance would be afforded to any individual enterprise to introduce gas? Or what individual would have troubled to discover the new process?

Our past experience does indeed teach us that the opposition to industrial progress and invention presented by municipal trade, or by legislation passed on its behalf, is a formidable one. The relation of the State to trade, more particularly in connection with the regulation of total or partial monopolies, has been the subject of long controversy. The

## National Character and Progress

discussion has raged chiefly around the nature of the restriction with which the legislature has thought fit to surround the operations of private trading in regard to tramway and electricity supply. In a smaller degree, the attitude of Government towards telegraph and telephone services has been severely criticised.

The need for a proper governmental control of semi-monopoly undertakings owned and managed by large private companies has never been seriously disputed. The ground of objection is that the regulations and limitations imposed upon such undertakings have been ill-devised, and have resulted in—

1. Crippling the progress of the trade in question.
2. Preventing improvement and invention.

It is necessary, before examining some instances, to point out that the imposition of restrictions is certain to entail some evil results. In safeguarding public interest, it may happen that the door is shut, bolted, and barred against what might have proved to be excellent expansion. Again, it is unfortunate, but too true, that restriction involves a certain sense of irresponsibility. As an ex-Permanent Secretary of the Board of Trade has well observed, in State regulation of trade "It is impossible at once to dictate to a man what he shall do, and to hold him responsible for the consequences. . . . You may have the responsibility of the State or the responsibility of the private person, but you cannot have both. The adoption of the one forces you to abandon the other. . . . This is not a matter of mere speculation, but of practical experience, as is shown by the failure of repeated attempts to procure

## Socialism in Local Government

convictions for the crime of sending unseaworthy ships to sea," because they have passed the ordeal of Government supervision. The same writer points out that regulations enforced by law produce a gain often more apparent than real. Uniformity is secured, but a low average of results. "It is what the worst man in the trade can be compelled to do, not what the best men would do if left to themselves. For the motives of self-interest, of gain, of character, and of individual liability, a general and compulsory rule is substituted. The worst men will be made better, but the best men will probably become worse, and will act down to the rule."<sup>1</sup>

The practical consequence of mistaken State regulation is seen in its fullest significance in the case of tramways and electricity. The contrast between the period before 1870 and after that date in the matter of inventions is remarkable. Prior to 1870, in the first stages of practical engineering, the field of British industry was fruitful of inventiveness. Since then there has been little or nothing of importance produced by British inventors as compared with foreign achievements. What has been the cause of this sterility of the originative faculty? Is it not to be found in the unfortunate influence of legislative limitations placed upon tramway and electrical enterprise at the instance of municipal authorities?

*Tramways.*—It is generally supposed that the Tramways Act of 1870 marks the introduction of that form of locomotion into this country. As a

<sup>1</sup> *The State in its Relation to Trade*, Farrer.

## National Character and Progress

matter of fact, so far back as 1858 the first request to Parliament for permission to lay down tram lines in London was refused. Sometimes with, and more often without, the sanction of Parliament, various lines were built in some parts of the United Kingdom. The opposition, however, of municipalities and Parliament hindered serious progress. In 1870, no less than twenty-seven companies sought Parliamentary powers to construct over 515 miles of tramways. The local authorities offered strenuous opposition, on the ground that "they were prepared themselves to undertake the cost of laying down and repairing the tramways, and of letting them on lease" to private companies. This state of affairs led to the passing of the Tramways Act of 1870, which practically placed the control of tramway development in the hands of the local authorities. Not only was the responsibility for extension left to them, but it was enacted that the local authorities should have the right of purchase of private companies' works after twenty-one years on payment of the structural value of the undertaking. There was to be no payment for good-will. An unsuccessful attempt was made by the tramway interest to secure an additional 30 per cent., on the ground that twenty-one years was not a sufficient time to enable a company to build up the business, and to recoup the losses incurred in the early years; and that the structural value of the tramway might decrease owing to the price of materials being lower at the end of the lease.

It was generally felt that the action of Parliament was injurious, and that private tramway enterprise had been crippled by these restrictive provisions.

## Socialism in Local Government

In consequence, the growth of tramways was small in the next ten years. In 1880 only 386 miles of lines had been built in the United Kingdom, though, be it noted, the companies had in 1870 applied to Parliament for permission to construct over 515 miles of tramways. In 1890, the line mileage was only 948 miles. Compared with other countries, the United Kingdom was badly served. Undoubtedly, this unfortunate state of things was solely due to the unwise restrictions of Parliament which discouraged private traders.

Shortly after 1890 the application of electricity to tramways came within the sphere of practicability. However, as the existing companies had a very short lease of life left under the twenty-one years' clause of the Act of 1870, and the cost of conversion to electric traction was enormous, it could not be expected that the old horse tram companies would apply the new invention unless a guaranty was given that a further extension of time would be allowed to enable them to recoup themselves for the outlay. No such guaranty was forthcoming. In fact, feeling in favour of municipal ownership and management had developed so strongly, that private enterprise was prevented from embarking upon new ventures. In 1894 only 975 miles of tram lines were open for public traffic, an increase of 27 miles in four years.

It is to be observed that though the local authorities in 1870 had secured an Act which hampered private enterprise, very little work was done by the local bodies themselves. By 1891 they had built only 255 miles of tramways. Of course, after that



# National Character and Progress

date, the companies began to come under the operation of the purchase clause of the Act of 1870, and their lines passed gradually into the possession of the local authorities. The only chance left to private companies was afforded by the Light Railways Act of 1896. At the end of 1906 the tramway statistics of the United Kingdom gave the following information:—

	Miles.
Tramways, &c., belonging to local authorities .	1571
"      "      "      companies .	823
	<hr/>
Total .	2394

The inherent vice of all Government trading—its failure to contribute to the growth of a novel industry—has been prevalent in tramway enterprise.

Of the conditions in the Tramways Act, 1870, which practically destroyed private effort, the power of local veto vested in the local authorities was a formidable barrier to companies. If a local body would not consent to the construction of a tramway in its district there was no appeal from its decision. This power of veto was extensively used and limited tramway enterprise to a considerable extent. Various attempts were made to induce Parliament to make this absolute veto less arbitrary. In 1902, an amendment to Standing Order No. 22, giving the Private Bill Committee power to inquire whether the consent of a local authority had been unfairly withheld, and to report accordingly, was opposed, mainly at the instance of the Association of Municipal Corporations, a powerful body consisting of representatives of municipalities. The ground of objection was that the repeal of the veto "must be to increase the number of private

## Socialism in Local Government

enterprises in boroughs and towns." The door was not to be opened "wider to this kind of private enterprise." The amendment of the power of veto was withdrawn. The Royal Commission on London traffic had also recommended the abolition of this local veto, but so far no Government has been able to resist the powerful opposition of the vested interests of the municipal authorities.

The belief that tramway companies would earn large profits has been falsified by experience. The average net earnings of the undertakings has been a little over 5 per cent. Out of that sum has had to be provided sinking fund and depreciation charges, as well as the dividend on capital.

With the application of electric traction to tramways about 1890, we enter upon another phase of legislative restriction. The Electric Lighting Act of 1882 limited electrical companies to a franchise of twenty-one years, with the result that the electrical industry was hampered in its growth. Consequently private companies were loth to lay down electric tramways.

It is noteworthy that the municipalities themselves now admit that electric tramways could not be profitably constructed under the twenty-one years' franchise of the Act of 1870. With the extension of municipal lines into other districts this fact was realised, and in 1901 the Standing Orders of Parliament were amended to permit a local authority to run its lines into the area of an adjoining local authority, and the period for purchase was fixed at not exceeding forty-two years. Mr. J. W. Lowther, the Chairman of Committees in the House of Commons,

## National Character and Progress

speaking upon the proposed alteration, said: "It has been found, especially in the case of electric tramways, that twenty-one years is not a sufficient period. . . . In 1870, when the Tramway Act was passed, twenty-one years was taken as the life of a tramway. . . . At the present time many corporations are laying down electric tramways, and the expense connected with the installation of these is so large that it has been found not to be worth while to lay them down unless for an extended period. If they have to sell them at the end of twenty-one years they are losers by the transaction."<sup>1</sup>

There is no more excellent example of the selfish attitude of the municipalities than this question of the tramway franchise. For the private companies, twenty-one years was an insufficient period. Yet the municipalities strenuously opposed all attempts to extend the time. When the municipal authorities owned tramways themselves, then they sought and obtained for themselves an extension of franchise from Parliament.

In fact, no one can rise from the study of the conflict between the local authorities and the tramway companies without feeling that the prime motive force behind the action of the local authorities was to place private enterprise in fetters, to deny it the ordinary justice which it ought to expect from Government, and then to complain of its lack of progress, and make that the excuse for municipal trading.

*Electricity Supply.*—The history of electricity supply in the United Kingdom is, in the main, a repetition

<sup>1</sup> Hansard, March, 1901, p. 45.

## Socialism in Local Government

of the case of the tramways. When the electrical industry had so far advanced as to promise commercial success, Parliament, at the instance of the local authorities, who were largely "prejudiced by being the owners of gas undertakings," stepped in and placed it under severe restrictions. By the Electric Lighting Act of 1882 the twenty-one years' compulsory sale clause was applied to companies.

In the light of after experience, it is interesting to read the reasons urged in Parliament for imposing limitations upon electrical companies. The then President of the Board of Trade said one of the objects of the Bill was "that no obstacle should be placed in the way of the development of the electric light"; another member, representing Manchester, which owned a great gas undertaking, thought that local authorities "must necessarily be the best judges of what was good in such matters as lighting. He did not deem it to the public interest necessarily that outside companies should be invited to come in and make an exploitation ground for an area which had already been supplied (with gas lighting) on the most favourable and economical terms by existing local authorities. . . . He did not see why outsiders should be let in to make happy hunting grounds of the corporation area." The Bill was passed by the House of Commons with only fifteen years as the term during which a company might exist before becoming subject to purchase by the local authority. The House of Lords amended the Bill and made the period twenty-one years. In spite of its supposed lack of business knowledge, the House of Lords seems to have more accurately gauged the risks than

# National Character and Progress

the business members of the Lower House. The Marquess of Salisbury said "the terms offered to the electric companies were not quite fair. As the matter stood, those companies would have to carry on their undertakings with the full consciousness that all the risks would be theirs, and all the profits would go to the public—that was to say, if they failed, no one would come forward to help them, and if they succeeded, the municipality would step in and sweep up all the benefits. The noble Earl opposite had said, in defence of the policy of the Bill, that they should be very cautious on behalf of the public. For his part, he apprehended that their first duty was to consult the interests of the public, not by thinking merely of the profits which the municipality might or might not make some fifteen years hence, but by thinking how some good would come to the consumers of an article which would benefit them enormously. It was the public which would suffer if these companies were not allowed to come into the field, and if this new instrument of power, which science had discovered, were compelled to remain useless and unfruitful for several years." <sup>1</sup>

There could, indeed, have been no more foolish policy than that embodied in the Act. Unlike horse tramways, electricity was in an experimental stage, and needed the widest freedom and a large practical experience before it could be brought to full efficiency. The business was purely speculative. The result of this unwise legislation was that in six years after the passing of the Act there was not a single electric light company in the whole country that used the

<sup>1</sup> Hansard, 1882, p. 575.



## Socialism in Local Government

public streets for distributing electric power and light. Meantime, other countries had made rapid progress, both in regard to electric lighting and in the application of electric traction to tramways. Ultimately, Parliament was forced to recognise the folly of the Act of 1882, and by an amending Act of 1888, the period of twenty-one years was doubled, in spite of the fact that the municipal authorities offered strong opposition to any longer period than thirty years. It cannot be said that the extended period is wholly just either to the companies or to the consumer, but nevertheless the amendment was a vast improvement upon the former provision.

The records of Parliament, and of local authorities between 1880 and 1900, are strewn with Reports of Committees upon various Electric Lighting Bills. Among this mass of dry documentary evidence, "antique, buried in rubbish, old and musty," into which the student may delve with profit, there exists some startling facts as to the general incompetence of local authorities to either appreciate the need for promoting the development of new inventions by private enterprise, or to efficiently undertake such work themselves. The evidence of Sir T. Farrer (afterwards Lord Farrer), Secretary to the Board of Trade, before a Committee on Electric Lighting Provisional Orders Bill, 1883, contains a statement, remarkable because it is the opinion of an official who was usually antagonistic to private traders, and who had exceptional facilities for judging of the capabilities of local bodies. The statement was to the effect that the Board of Trade "felt that whilst local authorities represented the ratepayers, they

## National Character and Progress

were in many cases inert bodies not willing to adopt new things, in some cases, perhaps, prejudiced by being the owners of gas undertakings, and, therefore, not by any means certain in all cases to give the ratepayers the benefit of this new invention." He further stated that "all experience in this country shows that whilst capital is extremely active and will always support a new invention, if there is a prospect of success, there is no such active motive power upon the part of governing bodies; they take up a thing when it is done, but they are not persons generally willing, nor perhaps are they the best persons, to take up a new invention."

How true was that opinion is seen from a short review of the attitude of local authorities towards electrical undertakings. The case for private enterprise and for municipal action was fully presented before a Select Committee of the House of Lords, which sat in 1886 to consider and report upon three Bills introduced with the object of improving the Electric Lighting Act of 1882. A considerable amount of evidence was given by the representatives of the electrical industries, financiers, and officials of the Board of Trade, and the local authorities. Upon the question why there had been a general failure to establish the use of electricity in the United Kingdom, Professor Forbes, an eminent scientist, was strongly of opinion that the Act of 1882 had killed the industry of lighting from central stations. Mr. W. H. Preece, Electrician to the Post Office, said: "The advance that has been made in our knowledge of the scientific principles underlying

## Socialism in Local Government

electric lighting has been very great, but in practice the development of the industry has been slow."

Sir Frederick Bramwell, one of our foremost engineers, stated: "I attribute the failure to make greater use of electricity in the country entirely to the Act of 1882."

Leading financiers also gave evidence to the effect that the Act of 1882 prevented investors from embarking their capital in electrical concerns.

The evidence of witnesses on behalf of the municipalities was directed against any extension of the limited period under the Act of 1882, beyond thirty years. It was suggested that there was no scope for electrical companies; that if electricity really could compete with gas, then the municipalities would take it up, and companies would not be necessary. But as to who was going to experiment, if private enterprise did not venture, nothing was said.

The most extraordinary testimony of all, was that tendered by Sir Henry Calcraft, Permanent Secretary to the Board of Trade. In answer to the question whether it was not just that a company should reap the benefit of a speculative venture into which the municipality was afraid to enter, this witness thought the public rather than the company ought to have the advantage. Lord Rayleigh eventually remarked: "The whole of your argument seems to come to this—that it is less important that the public should have light, than that the companies should not make profits."

Besides the great influence which the local authorities ignorantly threw against any fair treatment of private electrical enterprise by Parliament, the

## National Character and Progress

clause in the Electric Lighting Acts relating to the issue of Provisional Orders, "authorising any local authority, company, or person to supply electricity," was used to block progress. The practice of the local authorities was to obtain a Provisional Order from the Board of Trade, and then fail to set up any electricity supply. While the local authority held the Order, no company could establish a business in its area. The evidence given before the Joint Select Committee upon Municipal Trading, 1900, showed conclusively that this procedure was adopted by local bodies to protect municipal gas works from competition. Figures and facts are quoted to prove that many municipalities were pursuing a dog-in-the-manger policy. It is true that the Board of Trade had power to cancel the Order if the holder of it failed to supply electricity within a specified time, but this power was seldom used against local authorities until after 1900.

At the end of 1904 the Parliamentary Returns showed that 294 local authorities had established electrical works. In 105 instances, five to sixteen years had elapsed between the obtaining of the Provisional Order and the supply of electricity. In the case of 133 companies, no less than 123 had started supplying electricity within three years of the issue of the Order.

By 1907 the number of Provisional Orders and Licenses granted to local authorities, which had been revoked by the Board of Trade owing to non-user, was 110. Many of these Orders had been held for six, seven, and even ten years without any works having been started. At the same date about 160

## Socialism in Local Government

Orders and Licenses granted to Companies had also been revoked, but in only five cases had more than three years elapsed before revocation. It is noteworthy that previous to 1900 the Board of Trade had made it a practice to allow a local authority seven years in which to establish works, but had allowed private companies much less scope.

*Electric Bulk Supply.*—Incalculable as was the damage wrought upon the general industrial progress of the country through this internecine war waged against private enterprise by the local authorities between 1880 and 1900, a still greater injury has been done by the opposition of municipalities to the Electric Bulk Supply schemes. As the result of experience, it was found that, by the construction of huge generating stations, electricity could be supplied at a very low rate to consumers over a large area. Private enterprise thereupon promoted companies to undertake the supply of electricity in bulk mainly for the use of manufacturers, and also for lighting purposes. Now, owing to the great extent of country required to make these bulk supply schemes a success, local authorities were debarred from embarking upon this new development. Nevertheless, they did everything possible to prevent others from securing the power to construct such works.

The first company which undertook to supply electricity in bulk was The General Power Distribution Company, formed by the principal manufacturers in Chesterfield and district. Their plan embraced an area of 210 square miles, and they sought Parliamentary sanction to supply consumers therein.



## National Character and Progress

Shortly, the position was that in this manufacturing district, with a population of over one million, there were some 1500 firms or private individuals using electricity. Various local authorities and companies had powers of supply in less than a third of the area, but in only  $4\frac{1}{2}$  square miles was any electricity being supplied. The Bill promoted by the Company was passed by the House of Lords, after consideration by a Joint Select Committee, with the amendment that in the  $4\frac{1}{2}$  square miles where electrical concerns already existed, the Power Company should only supply customers taking current in bulk for power purposes, and not less a quantity than 10,000 units a year. Owing to the lengthy proceedings in Committee, Parliament had adjourned before the Bill reached the House of Commons. In the next Session (1889) a conference of the Municipal Corporations of Lancashire and Cheshire resolved to oppose the Company's Bill when it again came before Parliament. The grounds for so doing were that practically the monopoly of municipalities owning electric undertakings would be affected by the new scheme. The aid of the Association of Municipal Corporations was invoked. Even the Urban District Councils Association was invited to oppose the Bill, though not a single Urban Council was affected by it. The Bill was supported by all the Chambers of Commerce in the area proposed to be supplied. It was a fight between the municipal monopolists and the manufacturers. The former prevailed, and the Bill was defeated by 164 votes to 132.

The Select Joint Committee on Municipal Trading, 1900, was informed by the Secretary of the Chesterfield

## Socialism in Local Government

Chamber of Commerce that the manufacturers had to contend with the competition of German and other foreign firms who had the advantage of relatively cheap electrical power. The Chesterfield Corporation owned a gas concern, and had taken out an Electric Light Order in 1894, but by 1898 had not established any electricity works. "It has been within my own experience," said the witness, "that this kind of opposition to private enterprise has driven away capitalists who have preferred to go into large enterprises of a similar character in foreign countries. They fear not merely the expense of the fight in Parliament, and the risk of it, but they fear also the hostile attitude of the local authorities would be continued if they (the companies) should get charters from Parliament."

In 1900, another company, The Lancashire Electric Power Company, sought Parliamentary sanction to supply an area of a thousand square miles in Lancashire. Again, very powerful opposition was offered by the municipalities to the passage of the Bill, and it was only on condition that the great cities in the scheme should be prohibited from taking electricity in bulk from the Company, that the Bill was allowed to pass. Other similar companies have been opposed and conditions laid down that almost handicap them out of all chance of establishing successful concerns.

Perhaps the most notable example of how a municipality can hinder the advance of industry is the case of London. The Administrative County of London Electric Power Bill, 1905, in spite of opposition, passed all its stages, except the formal

## National Character and Progress

one of third reading. Time did not permit of that final step before the end of the Session. When the Company re-introduced its Bill in the next Session (1906), it was again violently opposed by the London County Council and other local authorities. The London County Council, in fact, promoted a Bill, though its proposals were crude in the extreme. These Bills, with others, were referred to a Select Committee of the House of Commons. In the end, all the Bills were rejected, though the Committee expressed the opinion that the power of supply ought to be vested in the London County Council. "Pending the introduction of a satisfactory Bill next Session by the London County Council—or in default of the London County Council, then by some competent body of promoters—it is not advisable that any further progress should be made with such Bills." The Committee admitted "that the scheme put forward by the Administrative County Company appeared to be conceived on scientific lines, and calculated to afford a cheap supply of electrical energy at private risk." They also emphasised the fact "that the provision of cheap electric power for London is so important and pressing that they do not view with favour the possibility of the question being indefinitely hung up: they, therefore, urge that the Council should be prepared to make a decision as to their action early enough to allow other Bills to be presented for next Session."

In 1907 the London County Council introduced another measure, which was amended to allow the Council to lease its powers to a company on terms which would protect the consumer, secure a share

## Socialism in Local Government

of profits for the ratepayers, provide a sliding scale of dividends and prices, and safeguard the community against any possible abuse of power. Parliament, however, without stating any reason, rejected the Bill.

In 1908 private companies again promoted three Bills, and, in spite of the strenuous opposition of Socialist-Progressive members of Parliament, the London and District Electricity Supply Bill passed the second reading. Speaking in support of the Bill, the President of the Board of Trade said: "The new plan before the House proposed to establish a great outside factory, whereby through the agency of the existing distributing centres the mains of London might be flushed with cheap electricity. The whole idea of the Company was that economy would result from production in bulk. . . . The Company had promised to supply bulk electricity at half the price which ruled in London at the present time, and all the harnessing apparatus for controlling private enterprise according to modern ideas was in full operation in the Bill." Dealing with the opposition, the President of the Board of Trade said: "There was the opposition of those who, on perfectly sincere grounds, were opposed to private enterprise of any kind, and there was also the opposition of those who voiced the narrowest selfishness of minor local authorities. . . . A Borough Council could not claim immunity from all competition which modern improvements and the development of events had created"—a statement quite contrary to the views of the Association of Municipal Corporations. "He submitted, without hesitation, that to all the millions of people in London, rich and

## National Character and Progress

poor alike, whether in their units or in combination, cheap electricity was scarcely less important than cheap and abundant food. Any one who stood between London and an absolutely modernised and unified system of electrical supply, stood between the people of London and easements of the conditions of their daily labour and the expansion of prosperity and employment. This was the fifth consecutive year in which proposals had been made to furnish London with a bulk supply, and meanwhile municipal enterprise had not advanced to fill the gap."

As a result of the long delay many important industries in and around London are still crippled through inability to secure a supply of cheap electric power. Had it not been for the stupid and selfish action of local authorities, London would now have been supplied with electric light at a price much lower than it pays at the present time.

The private Bills have been supported by many of the leading manufacturers of London, by the Great Eastern Railway Company, and the dock companies. The railway companies, in fact, declared that the passage of a Bill would facilitate the electrification of their suburban lines, and make it possible to give a cheaper, quicker, and more extensive suburban service.

What has been the cost to the country of this prolonged conflict between the local authorities and private enterprise? It is impossible to form any estimate, but judging from the immense strides which other countries have made in the application



## Socialism in Local Government

of electricity to manufacturing, the price we have to pay is a loss of industrial efficiency which we may never be able to recover. "The social, economic, and industrial loss which Great Britain has suffered through being for the first time in her history behind other countries in adopting a new invention of first-class importance is literally incalculable."<sup>1</sup>

Beyond the loss inflicted upon the industrial community, the ordinary consumer has also suffered, and the labour market has been deprived of a great customer.

A further point, not to be lightly ignored, is the almost uncontrollable power wielded by vested municipal interests. The vested interest of a private monopoly is difficult to overcome, but it has at least a formidable opponent in the local and central government. On the other hand, there is no organised force capable of meeting the municipal monopolists on equal terms when they bar the road to improvement. It is certain that no private company or firm could have prevented the progress of a rival invention so effectively as the General Post Office, for instance, hindered the spread of the use of the telephone and wireless telegraphy ; no syndicate of capitalists, or alliance of traders, could have held the House of Commons in the hollow of its hand as the Association of Municipal Corporations has done ; and no combination of public service companies could have so long continued to block the advance of electricity in the way that the local authorities have been able to do.

The moral is plain. From the point of view of

<sup>1</sup> Vesey Knox, *Economic Journal*, 1901.

## National Character and Progress

the public good, it is necessary to curb the tyrannical conduct of municipal and State monopolists. This can only be done by a rigid observance of the sound rule that it is the duty of Government to govern, not to trade.

## XI

### THE QUESTION OF MONOPOLY

IN discussing the question of monopoly in relation to municipal trade, it is necessary to remember that there are two forms of monopoly to be considered—

1. The natural monopoly-service supplying a public necessity ; occupying a privileged position and user of public land ; and simple in its method of operation. The general nature of these local undertakings comprise harbours, docks, ferries, tramways, gas, electricity, and water works.

2. The modern monopoly known as a "Trust," which is a huge combination of capital invested in manufacturing industries—not merely local, but national, and even international, in operation.

With regard to the first class of monopoly, it is difficult to devise a definition which covers every aspect of it. In most cases, the undertakings are natural monopolies, and have never had, nor ever will have, competitors, though the State has sometimes sought to institute competition. An example of this is the water supply. No one can contemplate two sets of pipes being laid down in every street and possibly into every house of a town. Therefore, in granting power to a company to supply water, the State gave what was practically a monopoly. Harbours

# The Question of Monopoly

and docks, too, are not matters in which there is severe competition, and these have been regarded as monopolies. There are, however, indications that the rivalry of large seaport towns is promoting a form of competition for harbour and dock accommodation which may become serious. A wide interpretation, therefore, must be given to the term "monopoly." It may denote an undertaking of a fixed, non-competitive nature, or of a semi-monopoly character, or where rivalry is difficult.

These monopolies are to some extent directly regulated and created by Government. Parliament in its wisdom has thought fit to impose restrictions upon private enterprise when it seeks power to embark upon these natural monopoly undertakings. As we have seen, these State regulations have not been altogether practical, and because of the lack of knowledge displayed by the State in regard to electricity, for instance, an enormous amount of harm has been done to the public welfare. The consequent discouragement to private enterprise, moreover, furnished the excuse to municipalities to indulge in trading themselves.

The second kind of monopoly, the "Trust," is distinguished from the ordinary natural monopoly because it is not necessarily dependent upon occupation of public land; is concerned with manufacturing; is not local; and is not the result of a right granted by Government. It is a monopoly produced by the acts of individuals alone. Many advocates of municipal trading repudiate any idea that municipal authorities should try to supersede "the Trusts." Some Socialists, nevertheless, use the bogey of "the

## Socialism in Local Government

Trust" to frighten people into acceptance of unlimited municipal enterprise.

What is a Trust? It is a combination of capitalists to secure control of a trade or manufacture with the twofold object of economy in production and larger profits. As a general rule, to attain its aim it has to reduce prices to the consumer, though when it has secured a monopoly it often tries to raise charges. The general opinion of writers upon the Trust problem is that "the Trusts represent a distinct economic gain in productive power," but that their establishment has been attended by many abuses.

It is asserted that the Trust could never have become so prominent in the industrial world "unless it was an efficient device for dealing with existing industrial conditions." And it may be added that the gross abuses of power, which have been characteristic of the Trusts in the United States, are not possible in the United Kingdom.

Even Trusts have their limitations. Experience has shown that to "corner" a trade requires a vast outlay of capital. If this is successfully accomplished (and often it fails), then it is invariably attained by reducing prices to the consumers. So far as this is the case, we may agree with Mr. G. Bernard Shaw that, "from the social point of view, the Trust is a very welcome industrial development." Having established a monopoly, the Trust then seeks to recoup itself by raising prices. The huge initial expense is a heavy burden on the shoulders of the combination. With the rise of prices, fresh competitors, not handicapped by enormous capital expenditure, come into the field, or some article of a



# The Question of Monopoly

similar nature is offered to the public. The Trust finds that high prices produce competition, and the result is that it either fails, or has to be content with normal returns on the goods which it makes.

The contention has been advanced that Trusts are not monopolies in the proper sense of the term. They are not in so strong a position as a municipal monopoly. The fact is, that whenever these "Trust" organisations have obtained control of any industry, it has been the result of their ability to give a cheaper and better service. There is always, as we have seen, a potential competition at hand to defeat any attempt to extort unjust charges. The predominant position which a Trust enjoys thus depends mainly upon its ability to produce and sell at a low price. Now, it is recognised that the possession of this ability is only temporary and produced by competition. The striking gains "are merely a temporary reward for the development of a superior form of business organisation." Leading American business men, like Mr. Carnegie, Mr. Dill, and Mr. Wanamaker, confess that "every attempt to monopolise the manufacture of any staple article carries within its own bosom the seeds of failure," and "that no men, or body of men, have ever been able, or will be able, permanently to hold control of any one article of trade and commerce."

The question whether a monopoly of a Trust character possesses any real advantage over large concerns competing with each other is not without its interest for those concerned with the study of Municipal monopoly. For the Trust and the Municipal monopoly are alike in some prominent respects.

# Socialism in Local Government

We will, therefore, glance at the arguments which have been used in this controversy. They will help us to understand the probable effect of extensive municipal ownership and management upon industrial efficiency. As compared with large independent companies, it is argued that an established Trust, with no competitors, has a great advantage in producing and marketing its goods. A Trust, it is said, can run its plant at full capacity ; whereas, under competition, many establishments can be kept in operation only a part of the time.<sup>1</sup> To this contention the answer is, that "a Trust to be prepared for supplying the market promptly in times of rapidly increasing demand" must maintain some surplus-producing capacity ; and that demand being always variable, sometimes decreasing, sometimes increasing, the reserve capacity in competitive firms is both unavoidable and even necessary. Where free competition exists, the ability or capacity of supply is not so far above the needs of the market as the advocates of Trusts would have us believe. Another argument for Trusts is, that they can buy supplies more cheaply than large independent firms. But investigation has shown that in very few cases is great economy in purchasing claimed by Trusts. Neither is there that great saving in advertising and in travellers which is often thought to be possible in monopoly concerns. "To whatever extent the Trust organisers have counted on practically cancelling expenditure for these two items, on the ground that buyers will be obliged to come to the sole manufacturers, they are likely to be surprised.

<sup>1</sup> *Trusts, Pools, and Corporations*, Ripley, p. 453.

# The Question of Monopoly

Those Trusts that have tried this experiment have discovered that the demand for commodities falls off with remarkable rapidity as soon as effort in pushing sales is materially reduced. To an extent, which few appreciate, the buying public has become accustomed to being reminded of its needs before making purchases. . . . Except in staple and absolutely necessary commodities, demand is largely created and maintained by advertising . . . or through travelling salesmen. Hence the Trust that expects to save the bulk of this important item must also expect to lose through diminished sales more than the economy represents. This is not theory, but the testimony of leading dealers in many lines.”<sup>1</sup> Municipalities, as we know, even now have to advertise and push the sale of gas and electricity, though possessing an absolute monopoly.

Another important point is that outside natural monopolies, which are often the subject of municipalisation, the growth of commercial activity is curtailed by the fact that firms of a certain size obtain a “maximum efficiency” of investment, beyond which combination brings no increased productive ability. Extension beyond those limits involves not economy but waste in administration and supervision.

A further objection to Trusts, and, indeed, to State and Municipal monopolies too, is that established monopoly is certain to be handicapped by “listless and unprogressive management,” arising from the absence of the stimulus of competition. In the quest for monopoly, Trusts display great energy and

<sup>1</sup> *Nettleton on Trusts*, p. 64.

## Socialism in Local Government

able management, but having secured a dominant position, inertia sets in, and failure follows. As an able American writer states, an established monopoly "would not need to be for ever pulling out its machines and putting in better," and consequently in rivalry with countries where the competitive system prevails, such a Trust would lose ground in the struggle for international trade.

This tendency to apathy in monopoly management raises a serious question: What will be the general effect upon the industrial leaders? Given a wide extension of the Trusts or Municipal monopoly system, it is certain that there would be a corresponding decay in those high qualities which mark our captains of industry. "It must be remembered that the able leaders now at the head of the successful Trusts were developed out of a field which afforded the widest opportunity for creative ability and independent initiative. These are the supreme qualities requisite for industrial leadership; and they are not likely to be fostered by a régime which, if the believers in monopoly are to be taken at their word, closes each important branch of manufactures to new enterprise, and renders hopeless all competition with a single consolidated company. Will successive generations of bureau chiefs or heads of departments in long-established corporations be able to continue the race of masterful leaders which freedom in originating and organising independent industries has given us in the present age?"<sup>1</sup> The experience of governmental enterprise with its bureaucratic methods of control supplies a negative answer to this

<sup>1</sup> Ripley, p. 459.

# The Question of Monopoly

question. Both in the monopoly of established Trusts and in the monopoly of municipalities there does set in that decay of managing ability, and the appearance of elaborate and costly administration which, in the end, spells failure.

Therefore, neither in Trusts nor in Municipal monopoly does public salvation lie. As we have seen, Trusts, unless well conducted in the public interest, have no high hope of success. If established they incline to inefficiency, and sooner or later are passed in the industrial race by the potential competitors who are ready to enter into rivalry whenever the chance occurs. In so far as the Trust in its early stage reduces the cost of production and lowers prices, it confers a benefit upon the consumer. But that is its only recommendation. In its later phases it struggles to maintain abnormal prices against competitors who soon oust it from its predominant position. In the same way a monopoly service carried on by a municipality may, at the start, offer a somewhat lower price than the superseded company, but ultimately in the ebb and flow of industrial progress the municipality finds itself outstripped by private enterprise which offers a better and cheaper service. This, as will be seen later, is the case with regard to electricity and gas supply. The great provincial cities have forced Parliament to protect their municipal electricity plants against the competition of bulk supply companies which, with the latest machinery, can supply urban areas at prices much less than those charged by municipalities.

This opens up another important phase of the monopoly power of local authorities, viz. the action



## Socialism in Local Government

of the Association of Municipal Corporations, whose chief object is "By complete organisation more effectually to watch over and protect the interests, rights, and privileges of municipal corporations as they may be affected by Public Bill legislation, or by Private Bill legislation of general application to Boroughs." In nearly every instance, the whole force of the municipal authorities is thus utilised to defeat Bills promoted by private companies, not only in regard to trades carried on by municipalities, but also in other matters. The interest of the consumer, the trader, and the manufacturer, who after all are the persons chiefly concerned, is spurned by the Municipal monopolists.

To take one case. When the General Power Distribution Bill was before the House of Commons, Mr. Bromley Davenport, M.P., said: "We are asked to do this (to reject the Bill) at the bidding and at the instigation of an Association of Municipal Corporations scattered all over the country, some of whom are interested in gas undertakings, . . . some of whom have electric supplies of their own at a cost to the consumer in every case higher than the maximum which is permitted under this Bill, and others of whom neither have, nor propose to have, any electric supply, but who combine with other corporations in a spirit of friendship and sympathy and brotherly affection when the sacred rights of Municipal monopoly are threatened with the possibility of competition by private enterprise." He went on to say that "the influence of the Corporations has been very strong in this House, but I cannot refrain from saying that I think it will be well if they

# The Question of Monopoly

are careful that that influence is not exercised unduly and excessively, as I think it has been in connection with this Bill." It was not the influence of a single municipality interested directly in a local measure to which he objected. "I refer to the combined and concerted influence of the Association of Municipal Corporations which is brought to bear on an individual member of this House, for the purpose almost of compelling him to vote for or against a Bill which, as a matter of fact, possibly may not concern, even in the remotest degree, the constituency which he represents."

On another occasion, in 1900, when the House of Commons was discussing the Lancashire Power Company's Bill, Mr. J. C. Macdonald, M.P., said: "There is a feeling in the country that the municipalities are organising themselves into a gigantic monopoly with a view to strangling private enterprise in regard to the supply of electricity at the moment of its birth."

The action of the Association of Municipal Corporations has been principally dictated by the fear that the gas-owning municipalities would find a formidable competitor in—

1. The Electric Light Companies, under the Acts of 1882 and 1886, and

2. In the Power Supply Companies, which can supply electricity at a lower price than that charged by any municipality.

Indeed, the situation is well described by Mr. G. Bernard Shaw when he says: "A moment's consideration will show that the successes of municipal electricity belong to the early stages of the industry"—though that success is not an historical fact—"and

## Socialism in Local Government

can only be maintained if the municipalities deliberately check its inevitable development by suppressing private competitors." <sup>1</sup> This opposition to improvement, and the desire for monopoly, is clearly shown by a resolution passed by the Municipal Corporations Association: "That this Association affirms the principle that where local authorities have, with the sanction of Parliament, established, or are in course of establishing, undertakings for public benefit, and have not failed in their duties, it is not right or expedient that powers should be granted to companies to compete with them."

In arousing opposition to the Electricity Supply Bill of 1904, the leading municipal trading paper, *The Municipal Journal*, protested against the inaction of municipalities, and incidentally admitted the justice of the charge that municipalities resist progress. "Corporations," it said, "already possessing their electricity supplies are entirely wrong in assuming that the measure does not affect them. It *will* affect them very materially. When in the course of time urban districts are able to obtain their current at about half the price at which municipal corporations can manufacture it, the consumers in the large cities and towns will no longer be content to pay the larger figure. They will want to be placed on equal terms with the outside districts, and they will have justice at their backs. What then will become of our city and towns electricity supply system?" <sup>2</sup>

From first to last, the opposition offered on behalf of the municipalities to private enterprise has been

<sup>1</sup> *The Common Sense of Municipal Trading*, p. 58.

<sup>2</sup> June 17, 1904.

# The Question of Monopoly

that of a "vested interest" of the worst type. It has been actuated solely by a desire to prevent improvement and any lowering of prices. Moreover, the vested interest of a company can be controlled both by the local authority and Parliament, but the influence of the municipalities seems to be so powerful that even Parliamentary members must obey their orders, for our great provincial cities keep a tight hand on their borough members. The very bodies which are supposed to stand for freedom of trade and the supply of commodities to the consumers at the lowest market prices are now become the most cruel of monopolists, and have established against the people the same injustice which they charged against private monopoly, and which they professed to remedy when they undertook municipal trading. Further, they have what no company (save gas concerns) possesses, a perpetual monopoly.

To the contention that their customers are the electors, it is sufficient to say that such is not the case. Many large limited liability companies, who are usually the greatest consumers of electricity and gas, have no voting power in respect of their business, and important manufacturing interests are made the prey of a monopoly service conducted by a municipality which, to meet its financial liability, must keep up prices. The benefit of the community has ceased to be even the professed object of municipal trade under such circumstances. Is there no need to fear the Municipal Trust?

The fact that what was deemed a municipal monopoly thirty years ago now finds itself in severe competition with a new invention, leads to a new

## Socialism in Local Government

consideration. When the recent enormous advances in science and discovery are considered, it becomes a serious question whether any so-called monopoly has a very long life in front of it. Municipal trade in any monopoly will probably prove to be only a temporary success, if at all. In these circumstances it is important to attach more weight than has hitherto been done to this risk of supersession. It certainly indicates that the wisest course for a town to adopt when faced with what seems to be a monopoly business in private hands, is to see that it is subjected to a sane system of State regulation and control.

We may conclude, therefore, as the result of our general survey of monopolies, that there is likely to be less injury to the public from the Trust than from the Municipal monopoly. Both contain bad features. In the case of the former, these may be remedied by competition and State control. As regards the latter, it uses its enormous power and influence in the legislature to protect its vested interests, and to enable it to pursue its anti-social work of keeping up prices in its municipal area, while private enterprise is reducing them just over the boundary of the city. It is too sacrosanct to be touched at present, but ultimately the common-sense of the people will demand its abolition.

The Municipal Reform Act of 1835, which purged the Municipal Corporations of their monopolistic character, is a standing witness to the evil wrought by unrestrained municipal interference with trade. Less than a hundred years have lapsed and we



## The Question of Monopoly

have again fallen a prey to the old abuse, though Section 247 of the Municipal Corporations Act, 1882, repeats the wise provision of the 1835 Act, which is headed—

### *“Freedom of Trading.”*

“Notwithstanding any custom or bye-law, every person in any borough may keep any shop for the sale of all lawful wares and merchandise by whole-sale or retail, and use every lawful trade, occupation, mystery, and handicraft for hire, gain, sale, or otherwise within any borough.”

## XII

### LABOUR AND POLITICS

THE Administrative Socialist in seeking to catch the votes of the electorate covers his hook with flies of varied hue. To the citizen consumer the bait is held out that municipal ownership and management mean a better service and low prices. To the labourer the suggestive temptation is that municipal trading gives higher wages and superior labour conditions. It will be noticed that these propositions are mutually destructive of one another. The first involves cheaper production than is obtained in private trade; the second negatives it, because higher wages and other concessions to labour must increase the cost of production. If labour benefits, the consumer suffers, and *vice versa*; unless the loss produced by concessions to both involves an increase of rates, when the labourer and the consumer may gain a slight advantage at the expense of the ratepayers, who are largely neither one nor the other.

It is, however, contended that the advantages can be provided out of the saving of the contractors' profit, which is alleged to follow from municipal management. No proof has yet been adduced that consumers receive from the municipality a better quality at lower rates than is given by companies.

## Labour and Politics

Nor can it be proved that the municipality makes the profit which is made under private management. The truth is that municipal work is always more costly than private work. There is less interest by the town employés in the execution of their tasks. The incentive of personal profit is not present to so large an extent as is the case where a contractor oversees the job. The municipal foreman is just a little slacker in his supervision, and the workmen show a smaller output. There is also a waste of material and time, and, in these circumstances, "the contractors' margin of profit," which the municipality hopes to save, shrinks into nothingness. The only advantage which the labourer can seriously claim that he derives from municipal employment is that he can work slower than he would for a private employer. But is that beneficial either to the community or to the workman himself? If he takes an hour to well and truly lay one hundred bricks for a private builder, and half as long again for the town, he is so much the less efficient under municipal management. If, in addition, he handles his material on the municipal job less carefully than on a contractor's works, the consequent waste adds to the cost of the work.

From the point of view of wages, however, there is certain ground for the assertion that some classes of workmen receive higher wages than are paid by private enterprise. We may observe, at the outset, that this cannot apply to those trades where trades unions exist. It is the general rule of municipalities to insert a fair-wages clause in contracts, by which the trade union rate of wages and conditions

## Socialism in Local Government

of labour are secured for the employés. Therefore, wherever there is a trades union, in that class of labour there can be no real or just preference between municipal and private employment. It may be urged that some towns pay more than trades union rates of wages ; so do some private firms.

As bearing upon the point at issue, it is useful to record the attitude of the general body of trade unions towards Municipal Employés Associations. In 1894 there was founded a new form of trade union, known as the Municipal Employés Association. Ten years later its membership began to grow rapidly, and it now claims to comprise some 20,000 members. It seeks to gain its objects through education of public opinion ; by the election of its own representatives upon municipal bodies ; and by opposition to candidates opposed to their aims. The complaint of municipal workers was that trade unions of particular trades did not possess so much power as a union of municipal workers, who could appeal to voters and bring pressure to bear on their employers at election times.

The methods of the Municipal Employés Association can best be gauged by the following circular issued by it. It is headed, "Why we want a Society, and why every Municipal Employé should be a member of the Municipal Employés Association."

- "(1) Because unity is strength.
- (2) Because we can get all information as to the wages, hours of labour, emoluments, &c., from every town for each class of work.
- (3) Because we could use our collective influence to get equal wages and hours, emoluments,

## Labour and Politics

&c., for the same kind of work in every town.

- (4) Because we could use more influence if all together, and acting together through one channel—*i.e.* 10,000 men in one Association is stronger than 1000 in ten different Associations.
- (5) Because you require a man to represent you who has had experience in the service of a municipal body.
- (6) Because the officers of this Association have worked for years for a municipal body, and therefore know the way to approach and deal with local authorities for you better than others who have never worked for a public body.
- (7) Because you get more benefits in the Association than any other for 2½d. per week.
- (8) Because it is estimated there are nearly 2,000,000 municipal employés in the United Kingdom. What could they not do for themselves if all together?
- (9) Because we are promoting a Superannuation Bill for all municipal employés not at present entitled to a pension.
- (10) Because each branch holds its own funds.
- (11) Because, no matter what class of work we do, we have the same aldermen and councillors to work under in each town.
- (12) Because nearly every grade of municipal employment is represented already in the Association — *i.e.* tramway employés (all grades), asylum employés (all grades),



## Socialism in Local Government

electricity works (all grades), telephone employés (all grades), gas workers (all grades), park employés (all grades), weights and measures testers and inspectors, engine drivers (all kinds of engines), boiler stokers, sewer men, fire brigade men, carmen, pickers, general labourers, masons' labourers, sweepers, and in fact all grades.

- (13) Because you should support an Association founded by municipal employés in preference to other societies established by others.
- (14) Because concessions, estimated to cost the municipal authorities upwards of £2,000,000 per annum, have been obtained by us.
- (15) Because we have never been defeated by a municipal body yet; if they decline a request to-day, we are up and at them again to-morrow.
- (16) Because there is no need for strikes with us. We can get what we want without them, if we are united, by returning to the Council men who are in favour of fair conditions of employment.
- (17) Because we are financially sound, and our accounts have been examined by chartered accountants, and we give each member a balance-sheet quarterly, free.
- (18) Because we have no age limits or medical examinations. We say the strong helps the weak, and the young the old, because we are all engaged in municipal employment.
- (19) Because we get concessions; not shout and rave about them.

# Labour and Politics

- (20) Because we at present represent the employés under ninety-five municipal authorities."

## HOW WE DO IT.

- "(1) By questions to candidates at Municipal Elections. Those who will not pledge themselves definitely to the above, we do not vote for.
- (2) By application through the Society, by petitions from the employés, &c.
- (3) We do not advocate strikes or lock-outs, but give our members the money back which could be used in this way in death benefits."<sup>1</sup>

This attempt to combine municipal workers, and to exclude men of the same trades in private employment, rests upon the selfish belief that municipal councils are capable of less resistance than private employers to demands for higher wages and better labour conditions. Their programme includes a minimum wage of 30s. in and around London, and 28s. in the principal provincial towns; a 48 hours week; a fortnight's holiday every year, with pay; a pension on superannuation; half wages when sick and full wages when incapacitated through accident. These conditions are far higher than those which a similar class of men obtain in private and municipal occupation. The wages of general labourers in the employ of towns vary from 17s. 6d. a week in Bury St. Edmunds to 30s. in Battersea, where Socialism rules the Council; refuse collectors and drivers earn from 18s. a week

<sup>1</sup> *National Civic Federation Report*, part ii. vol. ii. p. 37.

## Socialism in Local Government

in Colchester to 30s. again in Battersea. Hours of labour are from 59½ to 48 hours per week, a fair average for general labour being 53 or 54 hours per week.

The consequence of success by the Municipal Employés Association in securing the adoption of their programme by local bodies would be that a specially favoured class of workmen would be created at the expense of the ratepayers; and that either one of two things, or perhaps both, would happen—the labourer in private employment would agitate for like conditions, or support a general extension of municipal trade.

Naturally, this new experiment in trade unionism provoked the opposition of the existing unions. As we have seen, it has been the general policy of local bodies to embody in their Standing Orders or Minutes resolutions to the effect that wages and other labour conditions shall be those recognised and practised by private employers and trade unions in the town or district. Where there is no trade union (and, so far as unskilled labour is concerned, this is often the case), then a minimum wage and maximum hours of labour based on those followed by the best private employers is adopted by municipalities.

The object of the trade unions is to secure equal conditions in both private and municipal occupation. It is a settled policy of trade union councillors, as distinguished from Socialist councillors, to refuse to take up the grievances of any municipal workmen unless they belong to the union for their particular trade, and even then they refuse to

## Labour and Politics

advocate on their behalf any conditions superior to those which the workman enjoys under the more favourable class of private employers.<sup>1</sup>

The recent attempts by the Municipal Employés Association to seduce workers from their allegiance to the ordinary trade union, and their efforts to draw a distinction between the same classes of workers, led to a direct attack upon the Association by the Tramway and Vehicle Workers, the Coach-makers, the National Amalgamated Union of Labour, and the Gas Workers and General Labourers. At the Thirty-ninth Annual Trade Union Congress held in Liverpool in September, 1906, the following resolution was carried by 1,196,000 votes against 42,000 votes:—

“Resolved, that any method of organising which seeks to divide workmen employed by public authorities from their fellows in the same occupations employed by private firms is detrimental to the best interests of trade unionism, and that the Parliamentary Committee use its best endeavours to prevent the spread of such methods of organisation.”

As a result, the Municipal Employés Association and similar unions of Government workers are excluded from the support of trade unions, and their principles are repudiated.

We shall, at a later stage of this discussion, return to this question of Municipal Trade Unions; for the moment we only relate this incident as supporting the contention that, on the whole, the worker receives equal treatment at the hands of

<sup>1</sup> *Municipal and Private Operation of Public Utilities*, part ii. vol. ii.

## Socialism in Local Government

both private and municipal employers ; because that is the object which trade unions have in view.

When, however, we come to consider unskilled labour, which, as a rule, is not organised, it is strange to find that Municipal Councils do frequently pay higher wages than private firms. A closer investigation, however, reveals the reason. Unskilled labour in private firms consists largely of men too old for efficiency. Often, in private employment, old men are kept on the staff at odd jobs. In municipal employment this is now seldom the case. Of late years it has become more and more the tendency to exclude elderly men from municipal work, and to pay a comparatively high rate of wages in order to secure the most capable men in the unskilled labour market. Therefore, there is not in reality the distinction as to wages between private and municipal enterprise which appears at first sight. "The lowest rates paid by private employers with which comparison should be made are those paid to older or less able-bodied men. These are paid according to a more or less close observation of the amount of work they can do, or the less exacting position they occupy, compared with the able-bodied and most efficient labourers. If the calculation is close enough, the actual labour cost of the work done is not greater for the able-bodied and not less for the unable. The municipal minimum, however, placed as it is at or above the standard for the able-bodied, is uneconomical if paid to the less able. Consequently, one effect has been that the new men



## Labour and Politics

taken on by the municipal departments do not include that class. This is particularly noticeable in positions where the work is easy or disagreeable, such as those of lamplighters, watchmen, and scavengers. These positions were formerly filled at rates as low as 14s. by old men, or incompetent or almost unemployable men, but they are now filled, so far as new appointments are concerned, by able-bodied men. Similar changes, though not so extreme, are found among yard labourers, car cleansers, motormen, conductors, and all classes of labour, which formerly were hired at market rates, but now are hired at minimum rates. The men now employed could not have been secured at the former low wages. For them the corporation minimum has not meant as great an increase in wages as the increase on the books would indicate, because they could command similar wages in private employment. In general, the minimum is not as much an increase of wages as it is a change of *personnel*. A different and superior class of men is employed.”<sup>1</sup> It may be added that the old men formerly employed by municipalities are, under the new system, thrown upon the poor rates.

It is further necessary to consider the attitude of Labour towards municipal trading, not merely from the wages point of view, but from the political standpoint. It is here that the gravest danger to local government lies—the peril of corruption. As we

<sup>1</sup> *Municipal and Private Operation of Public Utilities*, part ii. vol. ii. p. 66.

## Socialism in Local Government

have observed, the corrupt influence of the Municipal Employés Association is unconcealed. It openly seeks to secure control of local administration in order to obtain "spoils" for municipal employés. The reason of its quarrel with the other trade unions was its attempt to secure for a portion of the workers what, in the opinion of Labour, ought to be the privilege of all.

Mr. Keir Hardie, M.P., the leader of the Labour Party, at the Annual Conference of the Municipal Employés on May 27, 1905 (according to *Lloyd's Newspaper* of May 28, 1905), said:—

"As a Socialist he was naturally strongly in favour of organisation among municipal employés, and was pleased to see the marvellous progress this Association had made. In going through some Parliamentary papers the other day he came across one which fairly astounded him, for from it he learned that in this country there were over 2,000,000 municipal employés. As the total of wage-earners numbered 14,000,000, this was very interesting. He had also found that in 1903, when there was a reduction in wages all round, the wages of municipal employés had alone increased—he might say, had doubled."

At a meeting of the local branch of the Municipal Employés Association, held at East Ham on September 20, 1905, Mr. P. J. Tevenan, the organiser, said: "As Municipal Employés their numbers were going up to a matter of one million. Municipalisation he held was a means to an end; the end was to

# Labour and Politics

establish a principle of nationalisation in the near future of the industries of the country.”<sup>1</sup>

At the Trades Union Congress, 1905, the following resolutions were adopted without debate:—

“*Municipal Trading.*—That we call upon the Parliamentary Committee to bring all possible pressure to bear upon the members of Parliament and other public representatives, so that public bodies may be empowered to enter into, and carry on, any work or business on behalf of the people, so as to steady the volume of trade and provide work at fair rates for those who would otherwise be idle.”

“*Municipal Banking.*—That, in order to provide larger means of carrying out social reforms, public administrative bodies be empowered to issue their own credit notes, thereby avoiding the heavy interest charged for the use of borrowed money, and the Congress hereby instructs its Parliamentary Committee to draft a Bill embodying this principle, and to use all possible means to get the same passed into law.”

“*Hours of Labour.*—That, in view of the present rapidity of production and the continuous introduction of labour-saving machinery, and the consequent displacement of manual labour in many industries, this Congress declares in favour of shortening the hours of labour to not more than eight hours per day, or forty-eight hours per week, as a means towards the absorption of many of those workers who are at some seasons of the year thrown out of employment; and also calls upon the organised workers of the United Kingdom to make this one of

<sup>1</sup> *East Ham Echo*, Sept. 23, 1905.

# Socialism in Local Government

the test questions at all Parliamentary and municipal elections."

For some years past various local Trades Councils have taken part in municipal elections, and have run candidates, but with the development of the Labour Representation Committee in national politics there has come into existence nearly a hundred similar local municipal committees. These local Labour Representation Committees achieved remarkable results in the municipal elections of 1906 and 1907. The candidates supported must, as a rule, be members of a *bona-fide* trade union, the Independent Labour Party, or the Social Democratic Federation.

The Sheffield "Labour Representation Committee" Municipal Programme, 1906, is a typical example of the objects of these Labour Representation Committees :—

## SHEFFIELD L.R.C. MUNICIPAL PROGRAMME, 1905 (SAME FOR 1906).

### *Working Conditions for Corporation Employés.*

1. A forty-eight hours maximum week for all Corporation Employés.
2. A 25s. minimum weekly wage for all Corporation Employés.

### *Housing.*

3. Erection of Cottage Property upon Corporation Lands at a rental within the means of a 25s. weekly wage.

## Labour and Politics

4. A more vigorous application of Part 3 of the Housing Act, 1890.
5. The providing of Municipal Lodging Houses.
6. A Free Water Supply for Baths and "Closets" in all Cottage Property.

### *Health.*

7. Extension of Public Baths, with Free Water Supply, and a material reduction in charges for Bathing, and the provision of Free Open-Air Baths.
8. Free Use of Baths by School Children during Summer Holidays.
9. The Corporation to be responsible for a Pure Milk Supply and the establishment of Infants' Milk Depôts.
10. That the Corporation shall provide at least one meal per day for all School Children.
11. Special Inspection of School Premises—Public and Private—also Medical Inspection of Scholars in Council and Private Schools.
12. Erection of a sanatorium for Consumptives by the Local Authority, with Free Treatment for the Poor, and for others payment according to ability.

### *Contracts.*

13. "Conversions" of Privy Middens into "Water Closets," the work to be executed by the Corporation.
14. Wherever possible, the Corporation to employ



# Socialism in Local Government

Labour direct, whether in Building Construction, or in Manufacture for its own uses, so as effectually to dispose of the Contractor, and shall take over and work any undertaking found to directly benefit the Ratepayers, and, further, that in the "Fair Wages Clause," the Trade Union Rate of Wages to be substituted for the "Minimum Rate."

## *The Unemployed.*

15. The provision of suitable work for the Unemployed at Fair Rates of Wages.

## *Finance.*

16. That the Corporation shall receive Loans as low as £10, at 3 per cent. interest, subject to three months' notice of withdrawal. Interest to be payable every six months.

The strength which can be brought to bear at Municipal Elections in favour of Labour or Socialist candidates may be gauged from the fact that the Labour Representation Committee represents over a million trade unionists, and that the membership of trade unions affected by municipal ownership exceeds 300,000.

Undoubtedly, the programme advocated by Labour is one devised wholly in the interests of Labour, and no other class. It is naked and unashamed in its frank avowal of such Socialistic objects as unlimited municipal trading, medical inspection and feeding of school children, an eight hours day, and recognition

## Labour and Politics

of "The Right to Work." In a word, Labour is not willing to accept participation without predominance. It wants, not a share, but the whole benefit at the cost of the rest of the community.

Another aspect is the corrupt influence brought to bear upon Municipal Councillors by municipal employés on the one hand, and the corrupt appeals for the support of municipal employés made by municipal candidates on the other. With the growth of municipal enterprise this kind of corruption has begun to spread in this country. The Report of Mr. J. W. Sullivan and Professor J. R. Commons upon "Labour and Politics," which was presented to the American Civic Federation Commission upon Public Ownership and Operation, showed that in Glasgow "the pressure of applicants upon Councillors for their influence is extreme and continuous, that some of the Councillors yield to it, and in turn press upon managers for appointments, and that applicants who have the backing of Councillors have at least a limited advantage over other applicants." A former Labour member of the Leicester Town Council states that to his personal knowledge "workmen get work on the Corporation through the influence of Labour and other Councillors. . . . In fact, many workmen vote for Labour men in hope of getting work, and the candidate has encouraged this hope of getting work when seeking workmen's votes." And if the hoped-for work is not found, men have said: "When are you going to get us a job? What did we elect you for, if not to get work? and if you do not get us jobs we shall not vote for you again." With regard to Sheffield, the Report of Mr. J. W. Sullivan and

## Socialism in Local Government

Professor Commons states: "We are convinced from the statements of Councillors, trade union agents, and conductors in the cars, that recommendations of Councillors are an important requisite in securing positions in that service" (tramways). It is to be observed that the Report concludes with the remark that this undue influence excited most criticism "where the policy of municipal ownership had been carried the farthest."

Sir John Ure Primrose, Lord Provost of Glasgow, the Mecca of Municipal Trading, stated in an interview:<sup>1</sup> "We have reached a point, however, where we begin to see a danger ahead. . . . This arises out of the building up of a great army of municipal employés. . . . As the city grows, the army of employés grows, and there have been indications at times that they may wield a power in the dictation of the city government which is not altogether for the best interests of the municipality. For instance, not long since, one of our Town Councillors, in the course of his official duties and without any particular personal prejudice, was impelled to take certain action which was not relished by the members of the police force. There were not more than fifty of the constables, perhaps, who lived in his ward. Yet you can readily see that each one of these was a recruiting sergeant. The Councillor was not wholly alive to the danger, and he was actually defeated through the efforts of the paid employés of the municipality. . . . The multiplication of city employés . . . is certainly one of the weak spots in our municipal ownership programme."

<sup>1</sup> *The Daily Tribune*, May 8, 1905.

## Labour and Politics

Speaking in opposition to the Manchester Corporation's Bill on February 6, 1906, Councillor Meadowcroft said he regarded the Tramways Department as a weapon of corruption. "He received applications every day from people who were out of work and who expected him to find them places under the Corporation in return for their votes at the election ; they always said they voted for him !"<sup>1</sup>

There is only one conclusion which seems to follow from these facts, that the influence thus used is mainly political. In the natural order of things a workman seeking a city job goes to the Councillor whose political views coincide with his own, or, what is more probable, the local political association or club of which the workman is a member is a medium for the application. It is within the writer's knowledge that in one Metropolitan Borough over a long period of years not a single workman or official was appointed under the Council until it had been ascertained that he was of one particular political faith. In a lesser degree the same practice runs throughout municipal administration. It is no mere dream of timidity that Councillors in considering their policy have to take counsel of fear, and are thus prevented from governing in the interests of all classes. The declaration of the Fabian Manifesto is too true, that "at present in many places nepotism and the use of municipal appointments to reward electioneering services" is rampant.

There is a further ugly phase of the attitude adopted by municipal workers in local administration. It is not uncommon for municipalities to hold a

<sup>1</sup> *Manchester Guardian*, February 6, 1906.

## Socialism in Local Government

town's meeting of ratepayers to decide whether or not a Bill giving further powers of municipal trading to the Corporation shall be promoted in Parliament. In many cases, this antiquated and wholly inadequate method of ascertaining public opinion has been grossly abused. Often the meeting is badly advertised, and held at an inconvenient hour of the day. No hall could possibly accommodate all the ratepayers if they attended. Generally, only a small number are present; sometimes the hall has been packed with municipal employés who have voted for the proposals in the Bill. As the *Manchester Courier* of March 14, 1905, stated: "The employés, in fact, are a solid body, and, as was illustrated by the votes recorded on the tramway extension proposals of the rejected Corporation Bill, they can be relied on to vote in their own interests." To take another instance, a ratepayers' meeting was held at Nottingham on January 11, 1905, to consider a Bill promoted by the City Corporation with regard to the extension of tramways and waterworks. "During the meeting a ratepayer called attention to the presence of so many Corporation employés, and asked if they had been bidden to the meeting." A Mr. G. D. Hazeldine also protested against the "packing" of the meeting, and in a letter to the *Nottingham Daily Express*, on January 16, 1905, he said: "I contend that the Corporation ought not to do anything to secure the attendance of its servants, and it does. It is an open secret. It is widely known that men working in various departments of the Corporation service get the tip to attend these meetings, and got the tip to attend this one. I do



## Labour and Politics

not think that can be denied. It is inevitable that many of them should have the idea, perhaps vaguely, first, that it will be well for them to be there; and, second, that it will be well for them to vote as the Corporation wishes them to vote."

In one of those long views, glimpses into the Socialist future, which Mr. Sidney Webb, the idolater of the distant day, unveils to the sight of ordinary mortals, he depicts the "industrial peace" which is to be born of Administrative Socialism.

"Where industry is carried on, not for private profit but for the public convenience, it is obviously for the collective public to determine the conditions of employment. A labour revolt against a Town or County Council elected by a labour vote is an obvious absurdity. In the final stage of industrial organisation the ballot box logically replaces the strike, and 'industrial peace,' no longer tottering in the unstable equilibrium of the 'labour war,' rests at last 'broad based upon the people's will.'"<sup>1</sup>

The theory that labour troubles would cease under municipal trading has been, like other Socialist delusions, 'utterly shattered. It needs but a cursory view of municipal history to realise that a Council and its employés are just as likely to quarrel as any other industrial association of individuals. Of the series of strikes which have marked the course of municipal enterprise in the last few years, the strike of the Halifax tramways employés against the Corporation in September, 1906, affords a typical lesson. The strike continued for two weeks, and this important industrial

<sup>1</sup> *The London Programme*, p. 84.

## Socialism in Local Government

centre was the scene of regrettable outrages ; attempts were made to derail trams ; passengers and tramway servants were stoned.

With the cause of the strike, and its attendant incidents, we are not concerned. The political aspect of it, however, is too important to be overlooked.

In view of the approaching municipal elections, an active agitation was maintained by the tramwaymen. " According to all accounts, Labour is to contest at least ten seats—Liberal and Tory alike—and two of the ex-tram drivers are to come forward as candidates. There is talk of winning ten seats now, and ten seats next time, and then rewarding Alderman Hey by ejecting him from his Aldermanic seat."<sup>1</sup>

This attempt at coercion, and the failure of the strikers to secure their demands, excited some comment. One local Socialist, in fact, gave an insight into the Socialistic future by declaring that it would not be difficult " to make out a strong case for the illegality of strikes under the municipality."

It may be observed that if strikes were made illegal in the case of municipal workers, as the Socialist proposes, it would be difficult to lay an indictment against, say, a thousand employés. And what would the trade unions think of any legislation declaring strikes to be an infringement of the law ?

Looked at broadly, the evil influence of service interests, which is fostered by the presence of a large body of municipal workers in a town, is more destructive than under private enterprise. In the case of the latter only the particular service is directly affected, but where a city is concerned the

<sup>1</sup> *The Halifax Guardian*, 22nd Sept. 1906.

## Labour and Politics

whole community and its governing body are parties to the quarrel on one side or the other. Often leading municipal councillors are the successful arbiters in a strike of private employes, but where the Town Council and the citizens are themselves red-hot disputants, there is no impartial and disinterested person to act as peacemaker and judge. Government, in fact, ceases to be.

Clearly, the facts we have been considering, the gradual and detailed concession to Socialist propositions, and the experience thus gained, afford ample proof of the impracticability of Administrative Socialism. It involves not only the loss of such economic liberty as now exists, but the destruction of political freedom. Instead of purity being paramount in local government as a consequence of municipal trading, the tendency is all the other way. What is the moral? Surely it is this. That if the cankerworm of corruption hangs now from the topmost bough, if it crawls triumphant through the council chambers of the principal cities where municipal trade has made most progress, what is to happen when the present corps of municipal employes grow to vast armies under the fostering spirit of unlimited trading? The civic policy is at the present time sadly bent to propitiate the demands of the municipal workers. It is an evil that is growing every day. In less time than we imagine, local government will become the degraded instrument of selfish ends; and the notorious municipal corruption of the cities of the United States will be reproduced here, with the like disastrous results.

## XIII

### MUNICIPAL HOUSING

WHEN we come to deal with the phase of municipal work commonly termed "Housing of the Working Classes," we are face to face with an intricate problem. The Housing Question, at the outset, was approached by local authorities solely from the governmental point of view. It was their duty to see that the dwellings provided by private enterprise were sanitary. Under certain Public Health Acts, municipal bodies were vested with powers to close buildings "unfit for human habitation," unless they were repaired. Power was also given to erect and maintain improved dwellings. Motives of public health, rather than ideas of municipal trading, animated this action. Nevertheless, the gradual extension of their duties in regard to insanitary dwellings and the proper provision of houses for the working classes, has brought municipalities into competition with private house builders. We are far from saying that the housing problem did not need the serious attention of local government. The situation was so serious, and the peril to the race so grave, that it demanded the vigorous action of both public and private enterprise. The indictment to be laid against local bodies is that they did not enforce those sections

# Municipal Housing

of the Acts which would have driven owners of insanitary property to remedy defects. Instead of placing the burden of providing accommodation upon private individuals, they set up themselves as builders ; discouraged associations and societies which were doing excellent work ; and, at the present time, are, to all appearance, to be invested with full power to practically monopolise house-building around towns.

The law relating to housing was, prior to 1890, comprised in three sets of Acts:—

1. Lord Shaftesbury's Act (1851), which enabled local authorities to provide lodging-houses for letting to the labouring classes.
2. Mr. Torrens's Acts (1868), empowering local authorities to deal with houses unfit for human habitation.
3. Mr. Cross's Acts (1875), giving the local bodies power to carry out improvement schemes for unhealthy areas, which involved municipal house building.

Under the first two classes of Acts little or nothing was done. However, a not inconsiderable number of schemes were carried out under the third set of Acts, particularly in London.

In 1884 a Royal Commission on the Housing of the Poor recommended amendment of the Acts and reform of the local authorities themselves.

The Housing of the Working Classes Act, 1890, codified previous Acts, with many improvements ; other legislation followed in 1900 and 1903, and these, with the Public Health Act, 1891, are the principal measures dealing with the question. The chief Act, that of 1890, consists of three main parts.



# Socialism in Local Government

Part I. gives power to clear large insanitary areas. If satisfied by the representations of a medical officer of health that the sanitary defects of a slum area cannot be remedied otherwise than by re-arrangement and reconstruction of the streets and houses, the local authority prepares a scheme, which has to be confirmed by a Secretary of State and Parliament. By the Act the local authority is required to provide accommodation for at least as many persons of the working classes as may be displaced, but the Secretary of State may, on the application of the local authority, dispense with the obligation to an extent not exceeding one half. Part II. deals with small areas. Part III. is most important. It gives power to local authorities to buy land for the purpose of erecting houses for the working classes. And it is chiefly in connection with the exercise of this power that local authorities have, at times, come into conflict with private enterprise, and brought Municipal Housing into the category of Municipal Trading.

Nevertheless, the work accomplished under Parts I. and II. is not without some bearing upon the subject. At certain points it has entered into competition with private philanthropic effort, and, on the whole, the manner in which it has been carried out has some bearing upon the question whether local authorities are capable of conducting the business of house providers.

Taking a broad survey, it cannot be said that municipal house building has made any real impression upon the bulk of the problem known as "over-crowding." So far as the clearance of slums and

## Municipal Housing

the enforcement of sanitary laws is concerned, improvement is discernible in the condition of the dwellings of the poor. But that any actual decrease in overcrowding has taken place as the result of municipal house-building is not capable of proof. Other and more successful agencies have been at work between 1891 and 1901 to produce the decrease of the overcrowded class from 11.2 to 8.2 per cent. of the population. In reality, the overcrowding problem is due not so much to lack of accommodation as to inability or unwillingness to pay for what the law considers to be proper house room. The low economic condition of the overcrowded poor prevents both municipal and private enterprise from catering for their needs, except on a charitable basis.

The operations of local authorities in large towns, and notably in London, under Parts I. and II. of the Housing Act, 1890, is aptly described by Mr. Bernard Shaw in his discussion of "Housing Difficulties": "At present it (the local authority) has to throw economics to the winds by buying land at its real market value, and charging it to its housing schemes at its value for working class dwellings (a pure figment), the ratepayer making up the difference between this and the real market value. Having performed this conjuring trick, the municipality generally proceeds to pass a resolution that the dwellings shall be let at rents sufficient to prevent any loss coming upon the ratepayers, without mentioning that they have already borne a loss which does not appear in the housing accounts. Even then, the effect of the resolution, when it is strictly carried out, is to put the rents too high for the sake

## Socialism in Local Government

of enabling the Borough Treasurer to make a delusive demonstration that the dwellings are paying their way commercially." As a matter of fact, the obligation exists that the rents shall not be below those prevailing in the neighbourhood of the municipal dwellings.

Financially, housing schemes in the centre of cities always involve a charge upon the rates. Each municipal tenant is really receiving a grant in aid at the expense of the community. Speaking of the London County Council housing operations, Sir J. W. Benn, M.P., L.C.C., confesses that "to build and run municipal dwellings on a finance which involves a charge upon the rates, must end in failure and disappointment; charity rents mean a subsidy to wages, and the working of the old Poor Law teaches us what that means."<sup>1</sup>

As to the effect of these schemes, we may take London as a typical example of what is happening in most of our great towns where similar work is being done.

The number of the overcrowded class in London was stated in 1890 to be about 800,000. That is to say, one of every five persons living in London was housed in an insanitary condition. The London County Council inherited a few housing schemes from its predecessor, the Metropolitan Board of Works. The Council's policy up to 1904 was to try and solve the overcrowding problem by means of the clearance of insanitary areas, and the provision of new dwellings for the poor. Up to 1898, the Council's efforts to lessen the number of

<sup>1</sup> *Our London.*

## Municipal Housing

overcrowded people were futile, inasmuch as a Return issued by the Council in October, 1899, showed that the Council had, under Parts I. and II. of the Act, unhoused and proposed to unhouse some 18,000 people, and had provided or proposed to provide dwellings for only 11,256. Thus, instead of relieving the congestion, the action of the Council had resulted in making matters worse, as they destroyed more accommodation than they provided.

Mr. George Haw, a Socialist, in his book, *No Room to Live* (1899), thus described the record of the London County Council. "In their various schemes they have driven out some 24,000 people, but have barely built houses for 10,000. What of the remaining 14,000 among the driven out? Nay, more than 14,000, for we have already seen how very few of the people displaced ever return to the new buildings" (p. 57).

As regards the action of the London County Council under Parts I. and II. of the Act, it is clear that more harm than good was done, because many poor people were unhoused, and a less number provided for in the new houses, built four or five years afterwards. In the case of the Boundary Street Dwellings, out of 5719 people displaced, only 11 came back to the new dwellings. Furthermore, the new houses, as a rule, were too highly rented for the overcrowded poor to be able to live in them. Thus, when the slums were cleared, after long delays, the usual effect was that the evicted inhabitants crowded into the surrounding streets and created fresh slums. As a Sanitary Inspector of Bethnal Green said: "The London County Council

## Socialism in Local Government

has done nothing to relieve the problem. All their work is like stirring water in a pail. You shift the water, but you do not lessen its bulk. The London County Council shift the overcrowded poor, but they do not lessen their numbers."

The financial result of these slum clearances may be gauged from a table compiled by the London County Council and printed in the Report of the Royal Commission on London Traffic. The Table shows that on central London schemes the rate-payers have borne a loss of £412,683 in rehousing 7586 persons on 18½ acres.

In connection with this work, the action of the London County Council no doubt discouraged the efforts of semi-philanthropic building companies, like the Peabody Trust, the East End Dwellings Company, and the Artisans' Dwellings Company. The serious slackening in their activity during the past decade is due in some measure, not only to municipal interposition, but to the cost of building and to the recognition that better means of transit furnished the best solution of the overcrowding question.

On the other hand, there is no ground for alleging, as municipal traders are fond of doing, that private enterprise has failed, and that, therefore, civic action is necessary. Short of "charity" or nominal rents, neither private nor municipal effort can solve the difficulty of housing "the submerged tenth." Unity of purpose, and cordial co-operation between local authorities and individuals, might lead nearer to success, but this spirit has so far been absent. Impracticable bye-laws and building regulations



## Municipal Housing

have played a large part in stultifying private enterprise ; the cost of land and building materials, and the rise in wages, have all added to the difficulty. In spite of these drawbacks, private enterprise can still successfully compete with municipalities in providing cheap dwellings for the working classes.

After 1898, the London County Council decided to use Part III. of the Act of 1890, and to buy vacant land in the suburbs for the purpose of erecting workmen's cottages. It was at this stage that the Council challenged private enterprise, because their action was on all fours with that of the private builders who were constructing houses of a similar character to supply a similar class of the population. Of course, during the development of the municipal estates heavy losses were incurred on account of interest and sinking fund payments. Apart from this financial loss, private enterprise at Tottenham was able to provide more extensive accommodation at a cheaper rate than the Council. Mr. W. W. Bruce, a prominent member of the London County Council, admitted<sup>1</sup> that the cost of the Council's cottages was too high "to enable them to be let as cheaply as private dwellings." In connection with other estates, development has been exceedingly slow, and the losses on "empties" are exceptionally heavy. In the year 1906-7 the total loss of income due to "empties" was £24,988 or 9.55 per cent. of the gross rental. On eight estates the loss varied from 22.94 per cent. at Totterdown, to 64.68 at Briscoe Buildings. Accommodation was provided to March, 1907, for 41,602 persons, and the number of

<sup>1</sup> May 23, 1905.

## Socialism in Local Government

persons in occupation was only 26,347. Mainly in connection with estates in course of development, a sum of £44,801 has been contributed from the rates to meet annual deficiencies. This loss would have been larger, but surpluses on other schemes have reduced it by £14,393.<sup>1</sup>

Summing up his investigation into the London Housing Problem, Mr. Charles Booth states:—

“The futility of municipal action for the direct supply of dwellings on the scale hitherto adopted is patent, and the dangers of this course, if pursued far, are very serious. By confining the corporate efforts of the community to the task of making the means of communication comprehensive and adequate and efficient, private enterprise would be encouraged to provide all the houses needed, and to private enterprise the local authorities would do well to relinquish that portion of the tremendous task of reorganisation and reconstruction on which the welfare of the people of London depends.”<sup>2</sup>

A statement of the receipts and expenditure in connection with housing work appears to show a small profit. It is urged by many municipal traders that the ordinary revenue is always adequate to cover the ordinary outlay. That plea cannot, however, be accepted, because a little inquiry will at once disclose expenditure which is omitted from these housing accounts. The circumstances connected with the financial operation of municipal housing are involved in almost inextricable confusion. As we have seen,

<sup>1</sup> *London County Council Annual Report on Working Class Dwellings*, 1907.

<sup>2</sup> *Life and Labour in London*, final vol., p. 190.

## Municipal Housing

the main cost of slum clearance schemes is charged to the improvement account, and the market value of the land is written down to a small sum which will enable workmen's dwellings to be erected without showing a serious loss in the housing accounts. It may be noted that the Local Government Auditor has had occasion to rebuke the London County Council for departing from this practice and charging to the housing account as the value of the cleared sites, sums even less than the valuer's reduced estimate. The Auditor expresses the hope "that the Council will give instructions for transfers representing full housing values to be made between the different accounts, as it would appear that *the dwellings capital accounts have been considerably under-charged.*"

The case of London varies only in degree from that of other large towns. Addressing the Annual Meeting of the Manchester Labourers' Dwelling Company, Ltd., Mr. James Fildes, Chairman of the Manchester Corporation Housing Committee, said that "he would like to impress upon the citizens of Manchester that it was their duty to take up the question of housing the working classes in their own hands, and not leave it entirely to the Corporation, which had to face difficulties in the matter from which private enterprise was free, and could not work concerns like that without incurring a loss. On the other hand, that Company had shown that it was possible to work them privately, and at the same time earn a dividend, as they had done for some years." <sup>1</sup>

<sup>1</sup> *Manchester Evening News*, December 13, 1904.

## Socialism in Local Government

The municipal housing schemes of Manchester are not carried out on a commercial basis, but "as part of a great work of sanitary amelioration." The rates are used in aid of this work.

For some years the Birmingham Corporation Housing Accounts omitted any charge for the land on which the municipal houses stand. As the result of inquiries it was found that, when the cost of the land was included, "Birmingham's municipal housing schemes, hitherto supposed to make a profit, were really a charge on the rates."<sup>1</sup> This method of accountancy is not singular, but generally adopted by municipalities. Of course if private builders could thus escape the initial cost of the land, they could provide very cheap dwellings.

In fact, it cannot be reasonably contended that Municipal Housing is carried on at a profit. Alderman W. Thompson, the President of the National Housing Reform Council, admits that, under present circumstances, it is almost impossible to house the very poor in healthy homes and at the same time make a commercial profit.

This state of things has no doubt deterred many local bodies from taking action under the Housing Acts. For instance, very few applications to County Councils have been made by Rural District Councils wishing to use Part III. of the Act of 1890. Owing to the small rateable value of rural districts, any loss would cause a serious rise in the rates. "The result is that municipal trading cannot justify itself by its results in this direction." The most that a local authority can do is to try "to come to the rescue in

<sup>1</sup> Nettlefold, *A Housing Policy*, p. 32.

# Municipal Housing

cases and districts where unscrupulous persons are taking advantage of any local or general house famine" (J. Benn). So far, however, the abolition of house famines has been beyond the power of local authorities.

The position has been thus well summed up by Mr. Nettlefold in his pamphlet on *A Housing Policy*:—

"1. It is thought that municipal house building will reduce rents, because a Corporation can borrow money cheaper than a private individual. But in spite of this advantage, experience shows that municipal house building is more expensive than any other.

"2. Municipal houses are often let at cheaper rents than the surrounding houses; but this is only done by making a loss on the transaction. If the governing body could raise sufficient money to house all the citizens, municipal house building would simply result in the population paying more in rates and less for the other items that go to make up house rent; but, as the Corporation can only house a very small proportion, municipal house building must always in the future, as it has done in the past, result in taxing the many for the benefit of the few.

"3. The evidence shows that rate-aided competition in house building and letting will drive every one else out of the trade, with the result that we shall have fewer houses provided in proportion to the demand, thereby creating a house famine, which is just what every one wishes to avoid. Since the decision of the Council (Birmingham) last summer to hold its hand with regard to municipal house building, schemes for the erection of flats have been



## Socialism in Local Government

started by Homes (Limited) and Cregoe Colmore, Esq., at rentals varying from 3s. to 5s. 3d. per week.

"4. It is urged that the governing body ought to provide good cheap houses for those who really cannot afford to pay the ruling prices for new houses. The difficulty is to find out the respectable poor. Every one experienced in philanthropic work knows how strenuously these people maintain their independence. They would not go to the Corporation, the Corporation would have to try and find them—a most difficult thing to do. People who apply for Corporation houses will not all be those who have the greatest need for assistance, and the inquiry necessary to get at the truth would be of such an inquisitorial nature that no governing body could undertake it. Experience has shown that municipal houses are filled up immediately by those for whom they were never intended. If, on the other hand, an inquiry was thoroughly carried out, and the limit of wages for municipal tenants fixed, then there would be a gross injustice done to those men just above the limit, and they would have every inducement to earn lower wages, which is exactly contrary to what all reformers are working for.

"5. In connection with the foregoing, it may be remarked that municipal house building is a form of rate-aided charity to the poorest class of the town. This charity comes out of the rates, which are compulsorily collected from all classes of the community, either directly or indirectly in the form of rent. The increased rates necessitated by municipal house building will press most heavily on the large class just above 'the poverty line,' and with

## Municipal Housing

increases for other purposes force many below it. Thus the result will be to still further increase, instead of diminish, the proportion of the population for whom it is suggested rate-aided houses should be built.

“6. Supposing that municipal house building did result in reducing rents all over the city, this would only have the effect of subsidising employers of labour. It is a well-known fact that wages follow rent. If rents go down, wages will also go down ; and only the employers of labour will benefit. The evidence shows that there are many people who will only do just enough work to keep body and soul together ; lower house rents would only encourage these to work less, and earn less money. Another effect of reducing rents in the city would be to tempt unskilled labour into the town. This would seriously injure the workers now in the city by making competition for employment in the city keener than ever. If the physique of Englishmen is to be maintained and improved, everything possible must be done to get people back to the country.”

The Town-Planning Bill which is now before Parliament will probably invest large powers in the municipalities with regard to the development of suburban areas. The German plan may be adopted in principle. Municipalities will become great land-owners and be responsible for the provision of suitable houses for all classes. The choice will then be clearly before them : (1) to build themselves, or (2) to enlist the co-operation of private companies and individuals, by inviting them to erect and manage

## Socialism in Local Government

dwellings upon sites leased to them upon reasonable and proper conditions which will secure good accommodation for all classes at fair rents.

Let us consider a few arguments for and against municipal house trading as it may present itself in the future. As we have seen, experience indicates that adoption of the first plan would not be successful from a financial point of view. There is, moreover, a more serious factor to be considered—Whether the municipalities will be able to purchase the land on the outskirts of the towns at such a price as to allow of economical house building. Obviously, local authorities are not good buyers. They nearly always pay more than a private purchaser, notwithstanding the efforts of the legislature to guard them against the superior business capacity of landowners. It may be, however, that the State will take drastic steps to break up land monopoly around growing towns. But this would help private house builders equally with municipalities.

It is further argued by municipal traders that local authorities build better houses. Again, experience shows the reverse to be the case. If the municipal house is occasionally superior in ornamentation, it bears a higher rental. Moreover, under the general Building Regulations laid down by local authorities, there is little room for jerry-building. Under equal building laws, the municipal house builder would have no advantage over a private builder.

Turning to the question of cost, here again it is very doubtful whether municipalities, by employing contractors to build for them, would obtain such

## Municipal Housing

good terms as private builders. Extravagance in detail is the bane of municipal housing, and commercial considerations seldom hamper the decisions of councillors when considering plans and the class of house to be provided. The invariable tendency of governing bodies to irresponsibility contributes to make all municipal work more costly than the same work in private hands. If the municipalities decide to set up a Works Department and to build by direct employment, the expense will be far heavier than if contractors are employed.

Not the least mischievous consequence that would follow from a municipality assuming the whole responsibility of supplying houses, is the discouraging effect it would have upon the growing efforts which the working classes are now making to work out their own salvation. Apart from the steady growth of building societies, whose useful work no one can gainsay, we have garden cities, garden suburbs, and tenants' house purchase associations, developing with remarkable rapidity. This individualist enterprise involves no charge upon the rates, and affords a far better solution of the housing difficulty than any municipal propositions, which, if embarked upon, would only check self-help without furnishing any better remedy.

By far the most important objection to municipal house building is the possibility of corrupt influences being introduced. The relation of private landlords and tenants are not by any means satisfactory. There is generally a feeling of resentment against landlords ; and any one who has had experience of estate management can testify to the difficulty

## Socialism in Local Government

of meeting the unreasonable and curious demands of occupiers. What would be the position of a municipality with fifty thousand tenants, each with voting power and some grievance to be remedied? Would the councillors be able to resist the undue pressure of a Tenants' League, brought to bear on the verge of an election in order to secure a reduction of rents or some other concession? On the other hand, would the municipal tenants be able to ignore the tempting offer of a placard, issued by a candidate, "Vote for Smith and lower rents"?

There is every inducement to candidates to make promises of better conditions of tenancy where municipal estates exist. Each ward of a municipal estate will be animated by personal considerations, and regard for the general welfare will be forgotten. The dire example furnished by dockyard constituencies during Parliamentary elections ought to preclude municipalities from venturing to assume the dangerous position of universal house providers.

Again, the rigid rules and regulations which municipal authorities usually lay down for what they deem to be the proper conduct of their tenants are likely to lead to intense irritation. The different likes and dislikes of people will not receive the same careful consideration from the municipal landlord as from the private owner. Types of houses will be stereotyped, and as municipalities are seldom capable of intelligently anticipating and rapidly providing for future requirements, the supply of houses will sometimes be in front of, but more often be far behind, the demand.



## Municipal Housing

Generally, the conclusion must be that a municipality ought not to become a general house provider. The enormous capital required, the cost of management, the burden of other duties, and the danger of corruption, are overwhelming objections to this form of municipal trading. Town-planning is needed, but this can be secured without municipal ownership of town suburbs. The provision of better class houses may well be left to private persons. As regards workmen's dwellings, municipalities might with advantage enlist the aid of industrial dwellings and other semi-philanthropic companies. The co-operation of workmen's co-partnership associations for housing purposes might also be invoked. Modification of the building regulations, with a view to lessening the cost of building without lowering its quality, should also be made.

Finally, it is necessary for all to recognise that the establishment of quick and cheap means of transit in and around towns is the key to cheap and sufficient housing.

## XIV

### MUNICIPAL WORKS DEPARTMENTS

THE chief advantages and disadvantages of the direct employment of labour by municipalities have been already discussed. We have seen how the attempted "substitution of the spirit of service for the spirit of gain" in municipal enterprise has failed, because of the lack of an impelling motive to give good service. "High wages, low work" briefly sums up the conscious and unconscious spirit of Government employés. But here, perhaps, before the finish of this study of municipal trade, it may be well to examine a little more closely into the history of Municipal Works Departments, which are rapidly becoming an extinct species of civic effort. Some half-a-dozen municipalities have, at various times, made experiments in this direction, but one by one these Departments have been closed down, and there is now only one in existence, that belonging to the Metropolitan Borough of Battersea. One case is typical enough of the rest, and we will therefore take the London County Council Works Department as our object-lesson.

In the first place, it is necessary to consider carefully the circumstances under which these Works

## Municipal Works Departments

Departments have been called into existence. The excuse invariably has been that it is not possible for officials to properly scrutinise contract works and to avoid fraud ; that the contractors' tenders for work are occasionally abnormally high, indicating the formation of a ring against the municipality ; or that corruption of councillors and officials has led to bad work. Admitting the presence of these evils to a mild extent, we may ask what does that set of conditions imply ? The answer is—Corruption and inefficiency in the municipal members and officials as well as in the contractor. Therefore, at the outset, we may well question whether that spirit will vanish by the substitution of municipal for contract labour. The abolition of the private builder removes one temptation, but introduces many others. For a Works Department has to deal with twenty firms to purchase building materials. The risk of fraud and corruption is thus increased. Certainly, all experience proves that corruption and inefficiency will break out in another form. With a mere change of conditions the evil assumes another shape. It is useless to contend, as is often done, that the first step in bribery comes from the contractor. It is quite as often the municipal councillor or official who makes the corrupt suggestion. It is frequently the official who inspects the goods or handles the tenders who is able to levy blackmail. If the local merchant and builder are favoured for sundry considerations, their municipal employers are participators, and, in most cases, the tempters.

The suggestion, too, that municipal ownership is most helpful "in regenerating cities that are tainted

## Socialism in Local Government

with bad politics," is contradicted by experience. The good reputation of British local government existed long before municipal trading attained serious proportions. Indeed, there are strong indications that a set-back in municipal morality has taken place in recent years, a decadence which may be imputed in part to the overloading of local government by the multifarious branches of municipal trade, and the consequent exclusion from it of able and reputable men of high standing.

We are justified, then, in suggesting that there is no remedy for corruption in the establishment of Municipal Works Departments ; the very fact of forsaking private enterprise implies a defect in the local authority which will sooner or later be reflected in its Works Department.

For it is a grave confession of weakness when local government complains of its inability to properly supervise contract work and to protect itself from making unreasonably bad bargains. Such an admission gives away the whole case for governmental enterprise. It is futile to think that it can escape the penalty of its inherent defect by assuming a kind of commercial monasticism ; that it can cultivate a cloistered municipal virtue by avoiding contact with the much-maligned contractor.

All the considerations we have been discussing do not, it is true, apply to the circumstances under which the London County Council Works Department was set on foot. The spirit which animated London's Central Authority in 1892 is indicated by the election address of Mr. John Burns, who pledged himself "to direct employment of all labour

## Municipal Works Departments

by the Council," which was to have its power enlarged so as to enable it "to undertake the organisation of industry and distribution, especially of those departments dealing with the necessities of life." London's Works Department, in fact, was only a preliminary step towards general Socialism.

In May, 1892, on the motion of Mr. John Burns, the Council adopted this resolution: "That all contractors be compelled to sign a declaration that they pay the trades union rate of wages and observe the hours of labour and conditions recognised by the trade unions in the place or places where the contract is executed."

The literal interpretation of this resolution was that the trade unions concerned should fix the rates of wages, hours of labour and conditions, and that the contractors should conform to them. The labour clauses subsequently incorporated in the form of contract adopted by the Council were so one-sided, that the principal contracting firms in London and the country would not submit any tenders. The few venturesome contractors who did tender, naturally made special provision for the risk of increased wages, &c., as, owing to the Council's action, they were practically at the mercy of the trades unions. In consequence, certain tenders in connection with the erection of a school house and the construction of a sewer were found to exceed the estimates of the Council's architect and the engineer. Thereupon, in the spring of 1893, a Works Committee was constituted to execute works for the Council, but not by any means in precisely the same manner as a contractor. As the late Lord Farrer (ex-Permanent



## Socialism in Local Government

Secretary of the Board of Trade), who was then a member of the Council, pointed out in a memorandum upon the question, the Council was by its own action "committed to the policy of doing its own work" . . . and "it has been driven into this course, not only by *a priori* considerations of expediency or by Socialist theories of municipal action, but by its own previous dealings with contractors' wages, which had made it impossible for contractors to tender except at an exorbitant price."

Confident that the time was not far distant when all its work would be done by the new Works Department, the Council established a large central depôt and workshops, and entrusted the supervision to a Committee of twenty-three amateurs, who demanded as much work as possible from the Council at a time when, according to the Comptroller of the Council, neither the establishment, the premises, nor the organisation were ready to cope with it. They were, in fact, eager to become gigantic employers of labour, and to realise the prophecy of Mr. Sidney Webb, that "the collective organisation of cities would cause the Heavens of Individualism to roll up like a scroll."

According to Progressive theory, the superiority of direct municipal employment of labour was to be found in—

(1) A better class of work than that done by the contractors.

(2) Higher pay and shorter hours of labour for workmen.

(3) A saving of the contractors' profit, which was assumed to be 10 per cent.

# Municipal Works Departments

We may pass lightly over the early failures of the Department. Three years' experience failed to produce the anticipated results, though Mr. John Burns described the state of things as "the beginning of greater success in the municipal Socialism the Council has done so much to justify and realise." This optimistic view was not shared by the Progressive leader, Mr. W. H. Dickinson, who could only hope that "as the organisation perfected, the financial gain would be greater."

At the end of 1896, a series of grave irregularities were brought to light in the book-keeping of the Department. A Special Committee of Inquiry was thereupon appointed, with two expert assessors and an accountant and an architect of high standing, to investigate the whole system and methods of management. The irregularities disclosed consisted of false entries in the accounts for the purpose of concealing the excessive cost of certain works. Expenditure was loaded on to other works, which being within the estimate could bear the transfer without, it was hoped, exciting comment. The seriousness of the offence lay in the deliberate attempt to deceive the Council and the public as to the true results of the working of the Department. Also this "cooking" of the accounts was a tacit confession of failure.

The Report of the Special Committee recommended various changes in the methods of management. The Manager was dismissed. By far the most important recommendation in the Report was that the unfair labour clauses in the Council's form of contract should be amended, and the way paved for the reintroduction of the contract system. In

## Socialism in Local Government

place of the unjust stipulation that the contractors should pay the rate of wages, and observe the hours of labour fixed by the trade unions alone, it was resolved that the basis in future should be the rates of wages and conditions of labour agreed upon between associations of employers and trade unions and in practice obtained. By this means the just grievance of the contractors was removed.

The first main aim of the system of direct employment of labour was to secure better work than could be done by the contractors. The conclusion of the expert, Mr Gruning, who was called in by the Council at the special inquiry of 1896 into the management of the Works Department, was that: "On the whole, I had no doubt that all buildings, whether executed by contractors or Works Department, are structurally sound and substantially and well built." This statement was corroborated by Sir Alexander Binnie, the Engineer, and by Mr. Blashill, the Architect, to the Council, who both stated that they were unable to draw any distinction as to quality between the work done by the Works Department and contractors.

In regard to joinery, however, Mr. Gruning severely criticised some of the work of the Department.

The fault to be found in all Government departments, viz. slow work, was not absent in the case of the Works Department. A flagrant case occurred in connection with the North Woolwich Drainage System, the cost of which exceeded the final estimate by £16,714. Sir Alexander Binnie, the Chief

# Municipal Works Departments

Engineer of the Council, said: "That the work was from the first very badly mismanaged. . . . It has taken four years to execute, whereas it should have been completed in eighteen months." And he also added: "I cannot close this report without drawing the Committee's attention to another work now under construction, which, unless some improvement be made, will, I fear, result in the same unfortunate manner. I allude to the tunnel under the Lee, in connection with the Hackney Wick sewer. This tunnelling was commenced about the beginning of February, 1901, and up to the 30th November last, or in a period of ten months, about 681 feet in length of the iron rings had been completed. It is only necessary for me to draw the Committee's attention to the rate of progress under the contract for a larger and more difficult tunnel—that at Greenwich—the driving of 1200 feet of which, wholly under the river Thames, was finished in nine months."

Sir Alexander Binnie concluded his report by stating: "It is well known to the Committee and the Council that from its initiation I have strongly, and to the best of my ability, supported the Works Department, and I am sure that they will not impute to me any animus in the above remarks; but having been called upon to make them, I feel it my duty to speak plainly, and can but regret that this, one of the last reports which I shall write while in the Council's service, should have to be couched in such unfavourable terms."

The second object expected to be obtained was

## Socialism in Local Government

better pay and conditions of labour for the workmen. But both the contractors and the Department are bound to pay to all workmen the rates of wages and to observe the hours of labour and conditions agreed between trades unions and employers. Thus, again, we have equality between the contractors and the Department. In the treatment of employés, one is not better than the other. Indeed if the Works Department ventured to pay a higher rate of wages than that in practice paid by the best employers, it would be creating a privileged class of workmen, and there would be strong ground for suspecting the existence of corrupt influence.

The principle which ought to guide local bodies in fixing the wages of their employés has thus been laid down by Mr. Joseph Chamberlain : " Certainly, the public, when it becomes an employer of labour, ought to act at least as generously towards its workpeople as the most liberal of private firms ; but, if it goes one inch beyond this, it is entering on the downward path which has conducted so many American municipalities to their ruin ; it is establishing at the cost of all the ratepayers, and of the great mass of the working people themselves, a new class of privileged workmen, enjoying special advantages over their less fortunate fellows. Public employment, little work, and liberal pay, will be the object of all who seek an easy berth and have good reason to distrust their own ability to raise themselves ; and we shall be fortunate indeed if the prizes in the gift of the local authority are not sought for and bestowed as the rewards of political partisanship.



# Municipal Works Departments

Places will be multiplied to meet the ever-increasing demand for them, and when they are secured they will be accepted rather as the satisfaction of past claims than as the opportunity for faithful service and honourable industry."

Mr. John Burns, M.P., has stated that—

"The London County Council only asks contractors to grant their workpeople the rate of wages, hours, and conditions in practice obtained by the trade unions from associations of employers. The London County Council itself only pays to its workpeople what the same workmen could get on similar work elsewhere."<sup>1</sup>

It is to be noted that the disposition to give a minimum of work for a maximum of pay is still a common habit in the Works Department, and that labour troubles are as much in evidence under municipal as under private enterprise.

We come now to the third and last argument advanced for the institution of the Works Department, namely, that it would save the contractors' profit of 10 per cent. Since the creation of the Department in November, 1892, the total of the final estimates and actual cost to the period ended September 30, 1907, are as follows:—

Final Estimate.	Actual Cost.	Alleged Saving.
£3,756,192	£3,684,625	£71,567

Thus, the Department has not succeeded in saving the contractors' profit of 10 per cent. It has,

<sup>1</sup> *Times*, Sept. 26, 1902.

## Socialism in Local Government

in fact, done its work at less than 2 per cent. under "final estimates."

It is to be observed that these figures afford no satisfactory comparison with what would have been the cost if the work had been done by contractors. The market has not been tested. The Works Department never tendered in competition with contractors until after 1907,—at the end of its career. The Council's official estimate of cost has no actual relation to the real market price of the moment. Had the Works Department been placed in the same position as contractors, and competed with them for the Council's work, then an equitable comparison would have been possible. Taking the cases since March, 1907, where the Works Committee tendered for jobs in competition with contractors, we find that the contractors were generally successful in beating the Works Department's tenders.

In one instance, a complete comparison is possible as between the Works Department and the contractors. That was the case of two blocks of buildings (erected under the Housing of the Working Classes schemes) absolutely identical in size, design, and material used, and built at the same time, and under the same conditions as to cost of labour and material :—

	Cost.
Cookham Buildings . . . . .	£14,059
(Erected by contractor)	
Hogarth Buildings . . . . .	£15,030
(Erected by Works Department)	

Showing that instead of saving the contractors' profit of 10 per cent. the Works Department job cost

## Municipal Works Departments

£1000 more than the exactly similar job done by the contractors.

On the Millbank site, the Culham, Marlow, and Shiplake blocks were erected by the contractors at an actual cost of £3000 under the estimate refused by the Works Department as being too low.

With regard to the jobbing work done by the Works Department, we find that the returns state that the work has been done at a large cost below the schedule value. The jobs are not done on estimates, but on a schedule of prices. The alleged saving is fictitious, because the schedule of prices is much higher than the schedule of prices on which contractors do work for the Government. Of course, if the schedule prices are extravagant, it is very easy for the Works Department to make a profit. There is no open competition for jobbing work; and had the jobs been given to contractors on the same schedule of prices as is paid by the Government, the cost to the Council would have been far less than the cost charged by the Works Department.

Taking a broad survey of the accounts, and applying the general and fair tests of comparison between the contractors' charges and the estimates, it is beyond dispute that the third and chief purpose of the Progressive policy has failed. The "financial gain" to the ratepayers has not been made.

Progressive apologists seek to confuse the issue by contending that if the actual cost of a work exceeds the estimate, the difference is not loss. Admittedly, it is not loss to the Department, which is paid in full whatever the cost may be. But the difference is a loss to the ratepayers when it is

## Socialism in Local Government

considered that the contractors would have done the work at or under the estimated price. In the absence of such comparison, it would be impossible to test the Department, and there would be merely dead acquiescence in its extravagance.

It is important to note that the Department was started on a large scale, and that it was, therefore, necessary to keep it supplied with work. In that state of things there is a natural temptation to a municipality to embark on unnecessary ventures simply in order to maintain its Works Department in full work. It was estimated in July, 1908, on the eve of its abolition, that the Works Department needed half a million pounds' worth of work every year, and that, of course, could not be guaranteed by the London County Council.

Turning to the experience of other municipalities, it was stated in a report to the Leeds Corporation in 1908 that "it was freely admitted in Manchester that the principal reason for the increased cost of municipal work as against private contract was that the Corporation workmen had not done their simple duty and that the work had been shirked. . . . In Manchester the official report admitted that the cost of excavating work carried out by the regular staff averages 156.83 per cent. more than contract work." Quite recently the Corporation of Manchester, by sixty-nine votes to ten (nine of which were Socialist votes), decided that they would not set up a Municipal Works Department.

Besides London, three other towns (West Ham, Sheffield, and Huddersfield) have established Works Departments, found them to be failures, and have abandoned them.

## XV

### AN ALTERNATIVE POLICY

IT only remains to consider whether any limits can be set to municipal trading, and to ascertain what are the principles which ought to govern the relationship of municipal authorities to trading functions. In order to do this we must investigate the rules, if any, upon which local government is based. And when we proceed to look for these rules, we find that none exist ; that local administration has been evolved in haphazard fashion, and that principle has played the least decisive part in shaping the development of it. In fact, it is a broad patchwork of expediency. We have, therefore, no clear indication as to the direction in which the right path lies.

Indeed, in the course of our researches we shall find that one of the most disputed and difficult questions in political science is concerned with the duties and limitations of local government. If we look for guidance to the two most important schools of political thought in the present day, we find that they are as wide asunder as the poles in their views of the true sphere of local administration. As we are aware, the Socialists regard it as the machinery which is to absorb all the operations of industry and private action. To which proposition we utterly



## Socialism in Local Government

decline to agree. On the other hand, the Individualists, an ill-organised and almost non-combative body, recognising the blunders and inertia of Government departments, believe that local administration should be severely limited in its activities, and should not venture to trade even in the matter of water supply.

Now, the full application of this latter principle is not to be easily attained. It is simple to cry in theory, "Govern, not Trade," but in practice the inviolable rule has sometimes to be infringed. Nevertheless, as historical evidence shows that the governmental standard of efficiency is lower than that generally obtained by private enterprise, the line of guidance for us must be that the less Government undertakes in the way of public trading services the better for the nation. To the contention of the second school of thought, then, we can give a qualified assent, the qualification being that there may be, in certain circumstances, and in an individual case, no alternative for a local authority but to embark upon a trading venture. Municipal enterprise may be forced upon a town by the absence or failure of private effort ; but even in such cases the municipal intervention need not of necessity be permanent. It ought always to be possible to restore to the domain of private enterprise that which has been withdrawn from it.

If, however, the matter were to be left here, some perplexing questions would still remain unanswered. What, for instance, is to be the character of the "government of trade" ? Of what is the policy of municipal control to consist ? State more definitely

## An Alternative Policy

in fact an adjustment between the responsibility and oversight of the local authority and the commercial activities of individuals, which will secure justice without sacrificing progress.

Broadly, to the first governing principle that the primary function of local authorities is to rule and not to trade, the following may be added:—

(a) That local government should be equipped with a sound set of laws regulating monopolies of services or functions necessary to the whole community.

(b) That when it has been proved to the satisfaction of an impartial tribunal that private administration of a service or function necessary to the whole of a particular community has failed, then the local authority concerned may itself undertake the service.

The first proposition will probably arouse little opposition, except from extreme Individualists, who not only resent municipal trading, but even municipal regulation of private trade. The second proposition, however, needs some further explanation in order to avoid misapprehension. It must not be forgotten that the undertakings in question are those which (1) supply a need of all persons in the community, and (2) possess the attributes of monopoly. For example, the provision of bread or clothes, though a general necessity, is outside this definition, as there is no monopoly of supply. Again, even if there existed a monopoly of such an article as scent, the supply of it ought not to be undertaken by a local authority, as it is not a necessity, or generally required by the whole community.

## Socialism in Local Government

Of course, it may be urged that even these principles do not cover the case of tramways which, though not strictly speaking a monopoly, ought nevertheless to be under municipal management, inasmuch as they occupy the surface of the public highway. To this plea it is sufficient answer to ask what essential difference does it make to the people whether the highway is so used by the town or by a private company? The latter is not a greater nuisance than the former. And under a strict franchise a road rental would be paid by the company for the privilege, and their use of the road would be limited and regulated.

A second exception, which it is urged must be made to the principles mentioned, is that of water supply. And no doubt, on grounds of public health, a strong case can be made out for municipalisation—a case, indeed, which cannot be fairly refuted. Water supply is a fixed, natural monopoly, never likely to be superseded, and incapable of any vast improvement in its mode of service. Water is not a manufactured article like gas or electricity; it is a natural commodity.

What is the kind of government, or regulation, or control which has been exercised in the past over trading ventures of a semi-monopoly or monopoly character? Has that control been efficient or inefficient? Has there been any complete system of control established by law?

Reviewing the wide expanse of ground over which we have travelled in previous chapters, we find a remarkable lack of any real effort to establish a

## An Alternative Policy

definite policy that avoids the evils of unrestricted private enterprise and municipal trading. It is true that piecemeal legislation on the subject has been passed, but the measures taken have been ineffective and ill-designed. There has been, in fact, no attempt to settle a full scheme of State regulation of large services of a monopoly character. This may be due to the failure of Parliament to adequately investigate the matter. Again, though advocates of municipal trading persistently allege that the bad service and high prices of companies were dominating factors which led to municipalisation, the evidence goes to show that such was not by any means the case. And in the few cases where an inadequate service was given, it was chiefly due to the unwise restrictions placed upon private effort by the legislature, and to the opposition of local authorities. For example, the gas undertakings, as a rule, were efficient, but the prospect of securing the profits for the ratepayers led to municipal purchase and working. Birmingham and Leicester are instances of this policy. As we have seen, the foolish Tramways and Electric Lighting Acts of 1870, 1882, and 1888 were responsible for hampering the development of transit and electric services.

The regulations relating to gas companies are, perhaps, the nearest approach in this country to a perfect system of public control as opposed to public ownership and working.

The private gas companies are subjected to administrative rules in matters of audit and the supply and quality of the gas, limitation of dividends, and amount of capital ; and these regulations are designed

## Socialism in Local Government

with a view to the automatic relationship of dividends and prices. Under the Gas Works Clauses Act, 1847, the profits of a gas company are not to exceed 10 per cent. on the paid-up capital, but back dividends of a lesser rate may be made up. If the clear profits amount to more than 10 per cent., after allowing for back dividends, then the balance is to be set aside to form a reserve fund not exceeding a tenth of the nominal capital. The dividend allowed on new capital is usually limited to 7 per cent. on ordinary and 5 per cent. on preference shares.

These provisions as to dividend, however, are not applicable to gas companies who have adopted the sliding scale of prices and dividends which was first applied in the Commercial Gas Act of 1875, and is now in general use. "The theory of the sliding scale is to give to the consumer a pecuniary interest in the economy and skill of the gas company; so that if, by these means, the company are enabled to make and supply gas at a lower cost, they shall on the one hand make a reduction in the price of gas to the consumer, and on the other hand be able to pay their shareholders a proportionate increase in the otherwise authorised rate of dividend; and again, if they shall make any increase in the standard price, they shall make a proportionate decrease in the standard rate of dividend."<sup>1</sup>

To control the raising of additional capital a Bill must be promoted in Parliament, and generally what is termed the "auction clause" is inserted in it. That is to say, new capital is sold by auction, and "so much money as is obtained by way of premium

<sup>1</sup> *Michael and Will on The Law relating to Gas and Water*, p. civ.



## An Alternative Policy

on the nominal or face value of the new shares" is added to the capital of the company, but bears no dividend. It thus helps to increase the profits divisible on the dividend-bearing capital, and at the same time operates to lower the price of gas to the consumer.

Regarded as a whole, these regulations form a fairly comprehensive and just system of control, which protects all parties. Nevertheless, it is true that the Gas Acts are capable of improvement.

Having examined the general conditions under which the gas companies work in this country, we may with advantage choose the examples of France and Germany as affording the most effective illustrations of a wise and sound policy of municipal control as opposed to direct municipal trading.

Strangely enough, the principle of municipal ownership and management of trading concerns has made little advance in France, though we might have expected to find Municipal Socialism more fully developed there than in any other country. The four services generally undertaken by local authorities are markets, slaughter-houses, theatres, and funerals. The three last-named services are peculiar duties for a municipality to undertake. Water supply, however, is being gradually withdrawn from the sphere of private enterprise. There are only a few towns carrying on gas and electricity undertakings.

Generally, the policy of the Government is opposed to municipal operation of large services like tramways, local railways, gas and electricity works. The principle adopted is to combine private enterprise

## Socialism in Local Government

with an effective municipal control. Therefore, the monopoly concerns in question are made the subject of concessions to private companies or individuals granted by the State, the Department, or the Commune. In cases where the power of concession is in the hands of the State and involves the use of the public highway, the State makes the concession to the local authority concerned, which transfers the grant to the private company or individual seeking it. Strict conditions, however, are usually laid down for the payment to the local authority of a percentage of the gross income of the undertaking, and other matters are also regulated. A like power of imposing conditions also exists in cases where the grant and the concession rests in the discretion of the local body alone. It is important to note that the period for which franchises are granted is very long compared with the terms under the British Tramway and Electricity Acts. Private companies, too, which use the public roads pay royalties. These charges, in the case of electricity supply, have been fixed by the Government at varying rates dependent upon the character of the place where the works are situate. In addition to these charges, the cost of administrative control is also defrayed by the companies.

The kind of governmental control exercised in France over private monopoly concerns is exemplified by the case of the charter granted to the Paris Gas Company in 1870. The company under that charter was bound to supply gas wherever the public authorities determined. The inspection of the making and testing of gas ; the supervision of gas fittings ; and the management of street and public lighting was

## An Alternative Policy

discharged by a department of public works. In fact, "every detail of the service is brought under strict regulation, and there is the least possible ground for complaint against the gas company as a private monopoly."<sup>1</sup>

From the financial point of view the arrangements were admirable. A maximum price for gas was fixed; the supply of gas for public purposes was at cost price. The rental paid to the city was over £8000 per annum, in addition to a tax of two francs per hundred cubic metres of gas supplied. The company could not "water" its capital, and its dividend was limited, any further profits being divided between the shareholders and the municipality. At the end of the franchise (1905) all rights reverted to the city, as well as the subways, piping, &c., in connection with the plant.

After the expiry of the franchise a new arrangement was made. According to M. Gaston Cadoux,<sup>2</sup> the new régime, which came into force on September 1, 1907, entrusts the works and sheds and mains to the management of a new company, which makes and distributes the gas, and collects the money from subscribers and that realised by the sale of by-products by right of interested management. That is to say, the whole plant is the property of the city, as a matter of concession, through the payment of 90 million francs to the Compagnie Parisienne. That sum represented ~~half~~ the assets of establishment, apart from the system of pipes, &c., in the public highways; this half was returned to the

<sup>1</sup> Shaw, *Municipal Government in Europe*, p. 50.

<sup>2</sup> *La Vie des Grandes Capitales*.

## Socialism in Local Government

shareholders of the company, and the other half to the city under the concession. As to the canalisation, valued at 40 to 45 million francs, a return was made gratuitously to the city by way of contract. The new company manage the whole undertaking, interest of 4 or 5 per cent. on its capital (30 million francs) being guaranteed, according to the profits which the city will derive therefrom. The whole of the profits, after allowing for this 4 or 5 per cent. interest, go to the city.

For some years the city of Paris received on an average about £800,000 per annum under the late franchise, as well as the advantage of gas at cost price for public lighting. Then the competition of electricity, and the cheapness of oil, caused reductions in the price of gas, and naturally produced less revenue to the municipality. In 1905, the Compagnie Parisienne handed over as the share of the city in the profits, a sum of 17,098,102 francs; and also paid 6,883,157 francs for octroi duty. The total revenue thus derived by the city from the gas undertaking was nearly £969,000. Upon the whole, the city of Paris has reaped enormous benefits from this system of public control, and at the same time has not run the risks of loss or supersession.

With regard to electricity, the municipality, at the outset, established an experimental central electrical installation in the great central market with the object of ascertaining cost of production, &c. Paris was divided into seven sections, and exclusive rights of electric supply were granted for a short period to a company in each section. Full provision was made to ensure an immediate and complete

## An Alternative Policy

supply in each district. Street lighting was to be provided at about cost price, and maximum charges to consumers fixed.

The concessions of the electric light companies all expired about 1908. From April 9, 1907, the city became the proprietor of all the cables in the public streets (the canalisation). New arrangements came into force on April 1, 1908. The city has granted a monopoly of the electric lighting to two new groups, letting to them the works which have become the property of the city.

The omnibus system in Paris is also the subject of a franchise by which profits are shared with the city. The Omnibus Company also runs nine lines of tramways.

The development of the policy of municipal regulation and control in Germany is interesting. Taking the city of Berlin as a typical example, we find that the revised electric light franchise granted to the Berlin Electric Works Company in 1888 is similar in character to that of the Parisian companies. The charge for permission to use the streets is 10 per cent. of the gross receipts of the company. If a net profit of more than 6 per cent. is earned by the company, the city of Berlin is entitled to 25 per cent. of the excess. A nominal charge only is made for street lighting. A list of charges to consumers is fixed by the city authorities, who have full powers of inspection ; and the right to purchase the undertaking upon a fair basis at any time after 1895 is reserved. In March, 1899, the franchise was extended. The new agreement, besides stipulating



## Socialism in Local Government

that 10 per cent. of its gross proceeds should be paid to the city, provided that if the clear profit exceeds 6 per cent. of the joint stock up to twenty million marks, the company must pay 50 per cent. of the clear profit; should the joint stock be augmented beyond that sum, 50 per cent. must be paid of the clear profit that exceeds 4 per cent. of the capital. No exclusive right of supply is given. Prices are agreed with the Town Board. Great financial advantages to the city of Berlin have resulted from this arrangement. According to the *Berlin Budget* for 1908, the sum paid to the city by the company is 5,160,000 marks, or over £250,000.

The gas lighting of Berlin is managed by an English company under a franchise from the city. The franchise was to expire in 1904, but in 1901 the company received an extension of their franchise for twenty-seven years. The company supply gas for public lighting free of charge.

Municipal housing has, so far, made little progress in Prussia. The local authorities have confined their operations to providing for municipal employes, and to advancing money at low rates of interest to private persons or companies who undertake to build working-class dwellings at moderate rentals.<sup>1</sup>

Turning to the tramways of Berlin, the franchise granted to the Great Berlin Tramway Company resulted in an "admirably complete and satisfactory service of horse cars that permeated the whole city." The company paid large sums for the privileges of the service, undertook onerous duties as regards paving and cleansing streets where its lines are laid,

<sup>1</sup> *Prof. Ashley on Local and Central Government*, p. 161.

## An Alternative Policy

and paid an annual sum to the city based on earnings. The sum paid annually in relief of rates was about a million marks in the early nineties. Various revisions of the franchise have since been made, the most notable being those of 1897 and 1900, by which electric tramways were established. If at any time, during the existence of the franchise, the city of Berlin requires extensions which are not stated in the franchise, the company must build nearly one hundred miles of lines, double track being regarded as single. The municipality, however, pays one-third of the cost of construction of such lines as are required to be built between 1902 and 1907, and one-half of the cost of all lines ordered between 1908 and 1914. After the latter date, the municipality pays the entire cost of construction, or an allowance towards the cost of operation. The franchise also deals with the introduction of any new and improved methods of locomotion, and the application of it to the system. Waiting-rooms at the various termini and intermediate stations, warmed in winter, must be established at the request of the city. No less than 8 per cent. of the gross earnings is paid to the city. If in any year the net proceeds exceed those of the year in which the franchise was granted, the companies must pay one half of such surplus to the city. On any new capital invested 6 per cent. of the profits must be paid to the municipality. The fares may be regulated by the city, and a maximum fare is fixed. The company may not charge more than  $2\frac{1}{2}$  cents within the city limits, nor outside of these to the end of every line in twenty stated suburbs. Scholars'

## Socialism in Local Government

and workmen's tickets are issued at reduced rates. The franchise, which expires in 1919, also provides for pensions to employés. The city of Berlin will receive for 1907 no less than £156,000 as a result of the franchise.<sup>1</sup>

It is true that in a few cases German cities have taken over the tram lines from the companies and adopted municipal working on the ground that the companies have been unprogressive. But, as Professor L. S. Rowe has pointed out, "this has been due, in part at least, to the onerous conditions under which the original franchise grants were made. The companies did not feel justified in incurring the risks involved in making improvements on a large scale or in extending the service into the outlying districts of the city. Impressed with the lessons of this experience we find the more recent franchise grants specifying minutely the streets over which the service must be extended."<sup>2</sup>

These recent German franchises may well be taken as a model for the system of municipal control, which is a more excellent way than municipal trading. "In studying these German contracts," says Mr. Albert Shaw, "one is always impressed with a sense of the first class legal, financial, and technical ability that the city is able to command." . . . "The arrangement in all its details is an elaborate one, but it is the perfection of business lucidity and intelligence."<sup>3</sup> Surely, not less than Germany, our local government possesses enough character,

<sup>1</sup> *Berlin Budget* for 1908.

<sup>2</sup> *Municipal Ownership and Management of Street Railways in Germany*.

<sup>3</sup> *Municipal Government in Continental Europe*, p. 350.

## An Alternative Policy

intelligence, and stability to frame a franchise securing fair play all round?

In conclusion, it would be advantageous to establish a Department of the Local Government Board for the special purpose of investigating any general complaint on the part of a local authority against a private monopoly, and to enforce the regulations and penalties where necessary. Such a Department should also examine and report upon any proposal for municipalisation where private enterprise has failed, and such report should be circulated to the ratepayers and a vote taken on the proposal.

## XVI

### SOCIALISM IN EDUCATION

THE position of children in the Socialist State is somewhat indefinite. All the brief, unadorned statements of the case for Socialism seem to disagree on this point. We are told that "the children will belong more to the State than to the parents";<sup>1</sup> that the "teaching of very young children will probably become a feminine monopoly in a Socialist State. . . . The Socialist mothers will take charge of the very early years. After, say, six or seven years have passed, the children will go into the Elementary Schools, where they will be fed, taught to work and play, drill and dance, sing and sleep, and live their happy lives under the kind eyes of sympathetic women, the State's kindly teachers, who will co-operate with the parents in trying to develop in the little ones all the perfections of character of which they may be capable."<sup>2</sup> On the other hand, another Socialist leader defines the first care of Socialism to be to "protect what remains of the family, and rebuild what has fallen down," by "a more ample co-operation between the State as a health authority and the home."<sup>3</sup> He objects to State mothers.

<sup>1</sup> *The Woman Socialist*, p. 62.

<sup>2</sup> *Ibid.*, p. 88.

<sup>3</sup> J. R. Macdonald, M.P., *Socialism*, p. 97.



## Socialism in Education

"The barrack-room and the State nursery . . . are condemned by up-to-date psychologists. The personal touch and affection of the mother, the surroundings and ethics of a small community, the sense of continuity which comes to the maturing child's mind from a personal organisation like the family, are all invaluable to a State."

If the first plan is adopted, it is easy to see that the home life of the child and maternal care of it will be a petty trifle compared to the power exercised by the State. This supersession of the mother is naturally most repugnant to the women of to-day, and any undue advertisement of this part of the Socialist creed would effectually block the progress of Socialism. Therefore, the second presentment of the child's position under Socialism is an attempt to water down the State-mother aspect. The emphasis is laid upon the need of home life, "the personal touch and affection of the mother." Nevertheless, there is to be "a more ample co-operation" between the State and the home.

Before we proceed to consider how much has been accomplished toward the realisation of the Socialist ideal, let us take a backward glance at the stages by which State education has advanced. Far more than a century passed after Diderot advocated free compulsory education, and free meals for school children, when the first part of his scheme was carried into practice in this country with many misgivings in the minds of those who feared that the scheme was but the prelude to many serious onslaughts upon parental responsibility. Thirteen years later, in 1904, an Act was passed empowering

## Socialism in Local Government

each Education Committee "to provide anything and everything that it deems necessary in the way of education—physical, mental, moral, elementary, secondary, university, manual, literary, artistic, scientific, commercial, technological, or professional, without restriction of subject or kind or grade, without limit of amount or cost; and without distinction of class or race, or creed or sex or age."<sup>1</sup> The duty was thus laid upon the Education Authorities of bringing our educational system up to the highest practical point of efficiency, so as to secure "the harmonious and equable evolution of the human powers." With this aim no one will find fault, and, apart from the question we are considering, and the bitter religious controversy which has been and still is a stumbling-block in the path of progress, there has been loyal co-operation in the stupendous task presented by the endeavour to attain it.

A grave difference of opinion, however, has arisen with regard to what may be termed auxiliary questions. The Administrative Socialist has succeeded in making a large advance towards achieving the ideal of "State children" by securing the assent of Parliament to, first, the feeding, and secondly, the medical inspection of school children. So steadily and doggedly has the Socialist movement in Education gone forward that a general conviction reigns that this stream of tendency can neither be turned back nor permanently checked.

The process by which State responsibility has been substituted for the duties of parents has been by way of voluntary and charitable effort. It is safe to say

<sup>1</sup> S. Webb, *London Education*, p. 3.

## Socialism in Education

that the organisers of it never contemplated such an outcome to their work. In the Public Elementary Schools of some towns there had existed for many years numerous charitable agencies for the purpose of feeding poor school children. Founded upon purely charitable grounds, there was no thought of Socialism. Nevertheless, with a supreme eye to successful propaganda, the Socialist soon proceeded to utilise the situation by demanding that the State should feed necessitous children. In Bradford, for instance, the Labour Party placed that plan in the forefront of their municipal policy. After a vigorous but vain attempt had been made by the Socialists in the City Council to secure the use of the rates for feeding children, the following resolution was adopted in December, 1904:—

- “ 1. That it is the duty of the community to see that all children are sufficiently fed.
2. That the first responsibility of feeding the children rests with their parents and not with the ratepayers.
3. That voluntary effort is fully able and willing to feed children who are temporarily necessitous by no fault of their parents.
4. That where the children of neglectful parents are not sufficiently fed, the duty of feeding them belongs to the Board of Guardians, who have power in proper cases (*a*) to recover the costs from their parents, (*b*) to prosecute neglectful parents, (*c*) in co-operation with the police to remove the children from the custody of their parents and to place them in suitable homes.
5. That it is desirable that the question of

## Socialism in Local Government

providing meals at a small fixed charge covering the cost only for children attending the Elementary Schools should be considered.

6. That, following these considerations, the resolution regarding the feeding of necessitous children, passed at the City Council meeting on November 29th, be rescinded for the purpose of adopting a procedure in accordance with the above resolutions."

The Poor Law Guardians proceeded to deal with neglectful parents by notices, and, in some cases, by prosecution in the County Court. By this means the number of underfed children was diminished, and the parents brought to a sense of their duty. A voluntary fund provided for a large number of the really necessitous children, and the remainder were fed by the Guardians at the expense of the rates. The policy thus adopted promised to be successful. It was tried for only one year, being superseded by the Act for feeding children. Indeed, Bradford has been taken as the best example that can be given of a large town in which this voluntary work "has been carefully and efficiently organised."<sup>1</sup> In 1905, a Committee representing the Education Authority and the various philanthropic societies was administering the funds contributed by the charitable public. In the first six months of 1905, no less than 235,222 meals had been provided at a cost of £1569. These meals were mainly given in the shape of dinners, and no charge was made to the parents. The largest number of children on the feeding list is stated as

<sup>1</sup> *Inter-Departmental Committee on Medical Inspection and Feeding of School Children, 1905.*

## Socialism in Education

2500 out of a total number of 55,000 children on the school books. The provision of meals was continuous throughout the year, except on Sundays. It was estimated that the total expense of the meals for a complete year would be something over £3000, and the cost of each meal per head works out at somewhere between 1 $\frac{3}{4}$ d. and 2d.

Even under a systematic and complete inquiry system, it was freely admitted that "sometimes the charity has been abused by persons who, while well able to feed their children, take advantage of it to lessen their own effort ; and no attempt was made to disguise the difficulty of treating cases in which the necessities of the children are due to the indifference, drunkenness, or vicious neglect of their parents." No real success attended the attempt to classify the children under three heads : " firstly, those whose parents are in permanent poverty ; secondly, those who are in temporary poverty ; and, thirdly, those who, through indifference or vice, could feed their children, but do not." With regard to this last class, the Committee " did not feel it right that the charitable public or the rates should be charged in such cases." There were also many cases where permanent poverty made it impossible for the parents to provide adequate support for a numerous family. As a witness pointed out to the Inter-Departmental Committee of 1905, " We are actually, by feeding the children, virtually helping the employer to go on paying low wages."

Of course, in London, the vastness of the problem made the effective organisation of a proper system for feeding school children a matter of exceeding difficulty. The Joint Committee on Underfed Children,



# Socialism in Local Government

created in 1899, and representative of various public and private bodies, directed attention in 1905 to the serious defects in the system then in vogue. They reported, among other matters, that inquiry into the cases had generally been imperfectly fulfilled, and that great abuse existed in consequence.

The average number of children fed weekly (Col. 1), and the average number of meals provided (Col. 2), is as follows:—

	Col. 1.	Col. 2.
1900-1 . . .	18,857	...
1901-2 . . .	20,085	46,619
1902-3 . . .	22,206	54,572
1903-4 . . .	23,842	56,109
1904-5 . . .	26,951	66,006

These figures do not include work done in the Voluntary Schools. In London, as in Bradford, the same difficulty was experienced in helping only the deserving and really needy children. The evidence of head teachers afforded ample ground for believing that the system was grossly abused. No attempt was made to follow the example of Bradford in enforcing upon parents their responsibilities to their children.

In April, 1905, the Local Government Board issued an Order which "greatly increased the importance of co-operation between Voluntary Agencies for feeding children and the Poor Law Guardians," with a view to preventing fraud.

A month earlier, an Inter-Departmental Committee on Medical Inspection and Feeding of School Children attending Public Elementary Schools was appointed. This Committee endeavoured "to indicate briefly some of the means which may usefully

## Socialism in Education

be employed in selecting the children for admission to free or aided meals. We do not, however, disguise from ourselves that this matter of the selection of children is replete with every kind of difficulty. It is frequently urged that it is not possible to find any defensible principle of selection, and that the only alternatives are to feed all or to feed none. We do not express any opinion on this point, or on the broad question whether voluntary agencies for the provision of meals in Public Elementary Schools should exist. The question is postulated in our reference, and recognising that they are now at work, we are asked, after inquiry into their methods, to report whether the relief given by them could be better organised. We are clearly of opinion that improvement is possible, and we think that if regard is paid to the facts and suggestions above appearing, it may be possible to go some way in the direction of making a satisfactory selection of children, at any rate so as to avoid the inclusion of cases where help is unnecessary or mischievous. Incidentally, in the course of our evidence reference has been made to the problems which are raised by the existence of families which are in chronic destitution, or where, owing to the vicious habits of parents, food which might have been given in the home is withheld. We have not been called upon in our present inquiry to solve these problems. But we may properly say that in our opinion the voluntary agencies will have done much to justify their existence if they can help to feed the children where, owing to the illness or want of work on the part of the breadwinners, or other sufficient cause,

## Socialism in Local Government

the family is in temporary need, which may be expected to disappear if a period of difficulty can be got through ; and we recommend that they should endeavour to make this class of children their first care.”<sup>1</sup>

It will be seen that, so far as the main question is concerned—Whether the rates should be used for the feeding of school children—the report is silent. Its only usefulness lies in the history which it gives of voluntary effort and its effects.

An attempt made in 1906 to pass Bills authorising local bodies to provide meals for school children, resulted in the appointment of a Select Committee to consider and report on the proposal. Their report stated :—

“ 2. The inadequate feeding of the children attending Public Elementary Schools has forced itself into recognition as a real evil in some large towns, although the evidence submitted tends to show that such evil is limited in extent and more or less spasmodic in regard to period of occurrence.

“ 3. A general review of the evidence would appear to suggest that the main causes contributing to the underfed or otherwise ill-nourished condition of children attending Public Elementary Schools are the social conditions in which many of the poorer people in large towns live, or the lack of employment. In other cases stress of work prevents the parents or other relatives from being at home to prepare the mid-day meal ; while the intemperate habits and thriftlessness of a certain proportion of the parents weaken the natural affections upon which

<sup>1</sup> Para. 237.

## Socialism in Education

a sense of parental responsibility is founded. Deploable ignorance also obtains in regard to the nature and proper preparation of food suitable for children.

“4. Therefore, whatever changes may be proposed, it is clear that in many cases no fully effective remedy will be found until an improvement takes place in the habits and surroundings of the parents, but the recognition of this fact does not absolve us from considering very carefully whether, by legislation or otherwise, some measure of amelioration may not be effected.

“5. Evidence was laid before the Committee to show that the anæmic or otherwise unhealthy appearance which many children present in school is often erroneously referred by teachers and other casual observers to the want of food. Indeed, evidence was forthcoming to show that it is very difficult to trace the source from which the unhealthy condition of the children arises, and that it might be due to congenital causes, late hours, insanitary surroundings, uncleanness, or work out of school hours.

“6. While it is beyond our reference to take any steps to deal with such widespread social evils, the Committee feel that their existence must be borne in mind in any attempt to apply the remedy provided in the Bill.”<sup>1</sup>

After dealing with the existing voluntary system, and pointing out that the voluntary agencies possess neither statutory powers of recovery from parents who are able to pay but unwilling to do so, nor any

<sup>1</sup> *Report of the Select Committee of 1906 on Feeding of School Children*, pp. 4 and 5.

## Socialism in Local Government

means of punishing neglectful parents, except through the agency of the Society for the Prevention of Cruelty to Children, and that the financial support must often be precarious in the case of voluntary schemes, the report recommended :—

“ 1. That it is expedient that the Local Education Authority should be empowered to organise and direct the provision of a mid-day meal for children attending Public Elementary Schools, and that statutory powers should be given to Local Authorities to establish Committees to deal with school canteens.

“ 2. That such Committees should be composed of representatives of the Local Education Authority, representatives of the voluntary subscribers, and, where thought desirable, a representative of the Board of Guardians, and of the local branch of the Society for the Prevention of Cruelty to Children, where such exists. That the Head Teacher, the School Attendance Officer, and the Relieving Officer should work in association with such Committees.

“ 3. That power should be given for the Local Education Authorities, when they deem it desirable, to raise loans and spend money on the provision of suitable accommodation and officials, and for the preparation, cooking, and serving of meals to the children attending Public Elementary Schools.

“ 4. That only in extreme and exceptional cases, where it can be shown that neither the parents' resources nor Local Voluntary Funds are sufficient to cover the cost, and after the consent of the Board of Education as to the necessity for such expenditure has been obtained, a Local Authority may have recourse to the rates for the provision of the cost of



## Socialism in Education

the actual food ; the local rate for this purpose must in no case exceed  $\frac{1}{2}$ d. in the £.

“ 5. That the Local Education Authority should, as far as possible, associate with itself, and encourage the continuance of voluntary agencies in connection with the work of feeding of children.”<sup>1</sup>

Following the Report of the Committee, Parliament passed an Act authorising the use of the rates (if voluntary effort was not sufficient to meet the need) for the feeding of necessitous school children.

The first part of the Reference to the Inter-Departmental Committee of 1905 was “to ascertain and report on what is now being done and with what result in respect of Medical Inspection of Children in Public Elementary Schools.” As a result of their inquiries they found forty-eight Authorities, under Part III. of the Education Act of 1902, in addition to London, in whose areas a definite system of medical inspection had been established ; that the inspection, in most cases, was of recent origin ; and was as a general rule confined to the discovery of defects of eyesight, hearing, or physical development. No treatment of the children was undertaken, but the parent was notified of the fact, and was expected to take steps to get the necessary remedy applied.

Dealing with the question of treatment, the Committee point out that “in the view of Dr. Kerr (of the London County Council) and others, to treat the ailment discovered would tend to pauperise the

<sup>1</sup> *Report of Select Committee of 1906 on Feeding of School Children*, pp. 9 and 10.

## Socialism in Local Government

parent." In the opinion of the Committee on Physical Deterioration, "In no instance should the Inspector do more than state the facts that require the attention of the parent, cases of poverty or neglect being left to the proper authorities to deal with. We may further point out that treatment may be open to two great objections: in the first place, if the children were to be treated as well as examined, the cost of the medical inspection would be very seriously increased; and in the second place, it would almost inevitably lead to complaints from private practitioners." The parents, however, ought to be notified of any ailment or defect, and in many cases the parent is only too glad to be informed, and at once takes steps to get the child treated. "There are, however, some parents who, though able to provide remedies, are careless or indifferent. With these nothing can be done as a rule, however zealous the local authority may be."

Generally, the Committee report that there is no doubt "that the medical inspection has done much towards bringing to view defects, and by the early treatment of them the children are saved from unnecessary suffering. The cost of medical inspection is also stated to be very small; "in no urban area does it require more than 1<sup>1</sup>/<sub>10</sub>d. rate, generally not so much." The Report concludes by stating that "the poverty of the parent, and more often his apathy and indifference, if not positive negligence, are formidable obstacles to the care of the child. Poverty may be partly met by charity, but the apathy and negligence will only decrease as the parent is slowly brought to see the material gain

## Socialism in Education

which results from giving due attention to his children's ailments."

The Act of 1908 entrusted to Local Education Authorities the *duty* of periodical medical inspection of all children in their schools, and the *power* to devise remedial measures. Following this legislation, the Board of Education issued a memorandum directing the attention of the authorities to the fact that the first object of the inspection was to secure the simple necessities of a healthy life. It is also stated that much of the work does not necessitate the skilled and expensive services of the doctor, and the co-operation of the parent, the teacher, the school-nurse, the health-visitor, and the school manager are, therefore, to be sought and utilised as far as possible.

It is, perhaps, too early to fully judge of the effect of these two important Acts, which are tremendous steps towards the realisation of the Socialist ideal of State children. We know, however, that the feeding of school children has been grossly abused, and that in London alone the number of children fed in the winter of 1907-8 was nearly double that of the previous year. And that in spite of the fact that the work was done by the aid of voluntary contributions. The London Education Committee has found it almost impossible to investigate the individual cases of some 40,000 children ; the 400 odd Voluntary Care Committees cannot exercise a proper supervision, and not all the inquiries of officials can elucidate the condition of the parents until some time has elapsed, until, in fact, it is too late to take proceedings against the parents.

## Socialism in Local Government

According to a report to the London County Council,<sup>1</sup> " 'Drink and unemployment are the root causes of the underfed condition of the children.'

"Twelve of the poorest districts were taken as suitable places for investigations, and 1218 families, possessing 3334 children, were visited. The causes of children being underfed are tabulated as follows :—

Drink . . . . .	45 per cent.
Casual labour . . . . .	17.73 "
Unemployment . . . . .	5.41 "
Desertion . . . . .	4.76 "
Illness . . . . .	3.53 "
Low wages . . . . .	2.29 "

The Socialists, too, have deliberately used their energies to persuade parents to avail themselves of the school meals, though well able to provide for their own children, and so far no effective steps have been taken to prevent abuse. There has, in fact, been very largely a repetition of what occurred in the case of the Johanna Street School in Lambeth when it was visited by Sir John Gorst, the Countess of Warwick, and Dr. Macnamara early in the year 1905. The school is situated in a poor district, and in response to the request that all children who had not had any breakfast should rise in their places, a vast percentage stood up. Fortunately, the Lambeth Board of Guardians made an inquiry into the cases of about 20 boys and 70 girls who had been reported as attending school without breakfast. The homes of the children were all visited, and the parents were requested to apply to the Relieving Officer for food if they wanted it. Only one application for

<sup>1</sup> *Daily Mail*, July 9, 1908.

## Socialism in Education

food was received. The result of the inquiry showed that "in some cases the heads of the families were in work, and in others, the combined earnings of the family ranged from 20s. to 73s. weekly. Some of the parents said that they did not give their children food before going to school as they knew that if they did not do so they would receive it at the school, as the children of other people got food there, and they did not see why theirs should not too."

What happened at Johanna Street School, Lambeth, is taking place to a greater or lesser degree at practically every school where free meals are given. The supposed safeguards are a farce. The local authorities cannot protect themselves against wholesale fraud; the inquiry system is almost wholly neglected. If fraud is detected the local authorities are loth to prosecute, partly for political considerations, and partly because the summonses to be issued would involve an enormous expense, with practically little good result.

It is quite clear that if we pursue the present fatuous course, a few years will see the example of Paris repeated. In one district of the French capital alone, in twenty-one years the number of free meals supplied rose from 2688 to 517,232, though these meals were supposed to be given only in cases of necessity after the fullest inquiry into the state of the family.

The medical examination of children also promises to grow into medical treatment, though Parliamentary Committees and Government Departments have pronounced against such a development.



## Socialism in Local Government

Yet, if the precedent of "free" education and "free" meals throws any light on the possible trend of events, we are bound to admit that in the case of many thousands of children "free" medical treatment will follow. Just consider for a moment how the present position has been reached. Firstly, many parents could not afford to pay for the education of their children, the State could not draw any distinction between the various classes of parent, and "free" education was established. Secondly, some parents send their children to school underfed. That it is not possible to teach underfed children becomes the plea for State feeding of school children. Thirdly, many children need medical inspection and treatment. The State cannot teach children who are defective in health. The State, therefore, will make an examination of the children, and, in cases of defect, the parents will be expected to secure medical treatment of their children. Now, thousands of parents will not do anything of the kind, and so the State will be driven into providing medical treatment at the expense of the general body of ratepayers.

Let us go a step farther. It is not to be denied that a large number of children suffer from ailments due to lack of proper clothing. If medical treatment of children becomes part of the duty of the Local Education Committees, it will involve the proper clothing of a formidable percentage of scholars at the expense of the rates.

We long ago abandoned the belief that it was the duty of parents to train their children for the responsibilities of life, and by the adoption of "free" education laid the duty upon the nation. Nearly a

## Socialism in Education

generation since, Herbert Spencer observed that "everywhere there is a tacit enunciation of the marvellous doctrine that citizens are not responsible individually for the bringing up each of his own children, but that these same citizens, incorporated into a Society, are each of them responsible for the bringing up of everybody else's children."<sup>1</sup> And it is a tribute to the philosopher's judgment that he foretold the early approach of the day when the State would make itself responsible also "for the proper feeding and clothing of children."

With the frank renunciation of parental responsibility which is involved in State education, feeding, clothing, and medical inspection and treatment of children, it is perfectly useless to expect that any class of parent will for long persist in carrying out duties which the State is willing to undertake, and to the cost of which he has to contribute, even though he now fulfils his duty to his own offspring in all these matters. Instead of diminishing State action, as the legislature seems to contemplate, the tendency will be all the other way. Instead of diminution of free meals, medical treatment, and clothing, there will be a general and alarming increase. The nurture of the "unfit" will multiply that class at the expense of the able citizens. The latter, burdened with the load of taxation necessary to carry out the new policy, will tend to become a slowly diminishing body. Unless, of course, the force of circumstances drives the legislature into control of marriages, and into drastic supervision of the "inefficient."

And here we arrive at the crucial point. Either the

<sup>1</sup> *The Study of Sociology*, p. 369.

## Socialism in Local Government

State must retreat from the position it has assumed towards the children, or it must go still farther, and lay down the proposition that if the children of the "unfit" are to be dependent upon the general body of citizens, then the parents must be subjected to rigid disciplinarian measures. It is useless to continue to drift. It may be that the end in view is some such paternal discipline, but the Acts of Parliament, the Reports of Committees, and the Memoranda of Government Departments are, as we have seen, singularly destitute of any desire to grapple with the problem of disciplining bad parents. They are content to hint at "development of the problem," and the need of further data before laying down fresh schemes.

The general situation, however, demands prompt action along the lines suggested by Professor Marshall for dealing with "the exceptional case of the Residuum." "A beginning might be made with a broader, more educative, and more generous administration of public aid to the helpless. The difficulty of discrimination would need to be faced, and in facing it local and central authorities would obtain much of the information needed for finding, and in extreme cases for controlling, those who are weak, and especially those whose weakness is a source of grave danger to the coming generation. . . . The case of those who are responsible for young children would call for a greater expenditure of public funds, and a more strict subordination of personal freedom to public necessity. The most urgent among the first steps towards causing the Residuum to cease from the land is to insist on

## Socialism in Education

regular school attendance in decent clothing, and with bodies clean and fairly well fed. In case of failure the parents should be warned and advised ; as a last resource the homes might be closed or regulated with some limitation of the freedom of parents. The expense would be great ; but there is no other so urgent need for bold expenditure. It would remove the great canker that infects the whole body of the nation ; and when the work was done, the resources that had been absorbed by it would be free for some more pleasant but less pressing social duty.”<sup>1</sup>

It is this side of the question which has been wholly neglected by Parliament. Instead of a well-balanced scheme for sane treatment of the children and the application of stern disciplinary measures to the parents until the evil had well-nigh disappeared, we have hastily adopted a system which merely touches the surface of the disease, nay, aggravates it without effecting any improvement. At the same time it has given to the Administrative Socialist the chance to accomplish one more step in the Socialist plan, namely, the substitution of the State for the parent.

To summarise our conclusions : that to all children should be secured a good education to fit them for the responsibilities of life is an evident truism. And it is necessary to protect the child, to some extent, against the ignorance and neglect of the parents ; and where that protection involves an expenditure of public money, the parents should

<sup>1</sup> *Principles of Economics*, p. 714.

## Socialism in Local Government

pay, or, if unable to do so, should be controlled and regulated by the State as inefficient. This may involve considerable interference with the parents. But we ought to be prepared to consent to such interference so long as it consists in making the parents recognise their duties, either by doing the work themselves, or by enforcing payment by them of the actual cost, or, in extreme cases, of placing the parents under a control almost as strict as that applied to lunatics.

We may contemplate such action without dismay. It is not Socialism, but a sane control and regulation tending to efficiency and individual initiative. It will abolish the grave danger to the community which is threatened by the existence of the ever-growing body of the "unfit."



## XVII

### SOCIALISM IN THE POOR LAW

THE principles underlying our Poor Law system are seldom seriously considered. Compared with other national institutions, the relief of the indigent, as has been well observed, demands careful explanation and some defence, because "it establishes a state of things in which persons are not obliged, unless they choose, to provide themselves with the means of subsistence ; whilst those who work for their own living are compelled, whether they like it or not, to maintain those who will not or cannot support themselves."<sup>1</sup> It is, therefore, very difficult to distinguish Poor Law administration from Socialism.

The justification for the Poor Law is based upon two grounds. The first is the alleged right of every one to the means of subsistence—if not by his own personal endeavour, then by the collective aid of the State. This right is not admitted by any civilised country, though the Socialists have at various times tried to secure its recognition. For all practical purposes, the position may be described thus : The right of the indigent to be assisted is not acknowledged, but it is the duty of the State to help them. This may appear to be a strange and illogical attitude.

The wisdom of it, however, is seen when we consider

<sup>1</sup> *Fowle on the Poor Law*, p. 1.

## Socialism in Local Government

that "the want of any recognised title to relief would, under certain circumstances, produce a Revolution ; and that, as a matter of fact, the French Revolution was largely caused by the existence of indigence driven to despair by the hopelessness of relief." On the other hand, it might, with just as much force, be urged that for the State to give "a legal right to relief would, under certain circumstances, lead to practical Communism, as it had done in England at the time of the Poor Law Reform of 1834."<sup>1</sup>

Therefore, the second reason given for the existence of a Poor Law system is, that it is expedient, for the good of the community, to relieve destitution. Otherwise the existence of Society might be endangered.

The evils which follow unrestrained relief of the destitute by the State are fully described in the Report of the Poor Law Commission of 1834, and are too notorious to need repetition. It is sufficient to say that Poor Law administration in the early part of the nineteenth century had brought about what a Fabian Socialist describes as "premature and inexpert collectivism."

The reform which followed the Report of 1834 endeavoured, with some success, to establish this principle :—

"The fundamental principle with respect to the legal relief of the poor is, that the condition of the pauper ought to be, on the whole, less eligible than that of the independent labourer. The equity and expediency of this principle are equally obvious. Unless the condition of the pauper is, on the whole, less eligible than that of the independent labourer,

<sup>1</sup> *Fowle on the Poor Law*, p. 8.

## Socialism in the Poor Law

the law destroys the strongest motives to good conduct, steady industry, providence, and frugality among the labouring classes, and induces persons, by idleness or imposture, to throw themselves upon the poor rates for support. But if the independent labourer sees that a recurrence to the poor rates will, while it protects him against destitution, place him in a less eligible position than that which he can attain to by his own industry, he is left to the undisturbed influence of all those motives which prompt mankind to exertion, forethought, and self-denial. On the other hand, the pauper has no just ground for complaint if at the same time that his physical wants are amply provided for, his condition should be less eligible than that of the poorest class of those who contribute to his support.”<sup>1</sup>

To this statement of the two chief principles of the Poor Law may be added another aim, viz. improvement of the condition of the poorer classes.

Now, in effect, the Act of 1835 was designed to carry out those principles, and to preserve an industrious population from ruin by abolishing the Socialistic system under which the idle, who would not work for their own support, existed at the cost of their toiling brethren, and, what is more, lived in the same comfort, or even greater comfort, than the independent working man. For some sixty years the intention of the Act was, on the whole, strictly followed, though the idea of the Reformers of 1834 that, at no very distant date, outdoor relief would cease to exist, has never been fully realised.

With the growth of modern Socialism there has

<sup>1</sup> *Report on the Poor Law*, 1839, p. 45.

## Socialism in Local Government

naturally been an attempt to revive the Socialistic element in the Poor Law system. Instead of maintaining a well-balanced compromise between Individualism and Collectivism, all restraint has been abandoned in recent legislation. As the result of Socialist influence, there is no longer any serious attempt to restrict outdoor relief. Practically no discomfort and stigma attaches now to the pauper, and his position is, in many respects, far better than that of the independent labourer.

Let us glance at some recent measures. The Outdoor Relief (Friendly Societies) Act, 1894, empowered Guardians, when giving outdoor relief, to ignore any sum up to five shillings a week which the applicant for relief might be receiving as a member of a Friendly Society. In 1904, a further step was taken, and the optional power was made imperative. The Medical Relief Disqualification Removal Act, 1885, allowed medical outdoor relief to be accepted without disfranchisement. Then we have the proposal to provide cottage homes where the aged poor will live in more comfort than is generally enjoyed by the industrious labourer who has made provision for his old age out of his wages and savings. There has also been a vast improvement in the dietary of the workhouse as the result of Local Government Board Orders. The Unemployed Workmen's Act of 1905 marked a further advance towards the realisation of Socialist ideals. Last, but not least, the present Session of Parliament (1908) has seen the passage into law of an Old Age Pensions Scheme, whereby any person of the age of seventy or over who belongs to the "indefinable class of the deserving poor" is

## Socialism in the Poor Law

to receive a pension of five shillings a week. This scheme was described by Lord Rosebery in the House of Lords as "pure Socialism."

The danger attendant upon such legislation is clearly indicated by the fact that at the first Parliamentary bye-election<sup>1</sup> after the Act had passed, one of the candidates advocated an increase in the amount of the pension, while the trade unions are clamouring for a reduction of the age qualification.

The general Socialistic trend of Poor Law relief in recent years is easily traceable when compared with the Socialist programme of the 'nineties for the reorganisation of Poor Law administration.

*"Object.*—To provide generously, and without stigma, for the aged, the sick, and those destitute through temporary want of employment, without relaxing the tests against the endowment of able-bodied idleness.

*"Means.*—1. The separation of the relief of the aged and the sick from the workhouse system, by a universal system of aged pensions, and public infirmaries.

2. The industrial organisation and technical education of all able-bodied paupers.

3. The provision of temporary relief works for the unemployed.

4. The supersession of the Boards of Guardians by the local municipal authorities."<sup>2</sup>

There is practically no item in that Socialist programme which has not been either wholly or partially realised. And yet the demands of Socialists are by no means exhausted.

<sup>1</sup> Haggerston, July 1908.

<sup>2</sup> *Fabian Essays in Socialism*, p. 55.



# Socialism in Local Government

Of the practical consequences of this policy we can judge by the results of Socialistic rule in the local Poor Law administration of Poplar and West Ham, as stated in the Reports of Local Government Board inquiries. Taking the case of Poplar, we gather the following salient facts from the Report of the Local Government Board Inspector (p. 19):—

*“Outdoor Relief.”*—Up to 1892 outdoor pauperism in Poplar bore about the same proportion to population as in the whole of London. In the following year Mr. Crooks joined the Board of Guardians, and from that point Poplar exceeds the rest of London. The change may best be seen from the following figures, which show the proportion of outdoor pauperism in Poplar and London respectively per 1000 of the population:—

Year.	Poplar.	London.
1st January 1885 . . . .	9	10
” 1886 . . . .	10	10
” 1887 . . . .	11	11
” 1888 . . . .	10	11
” 1889 . . . .	10	11
” 1890 . . . .	10	10
” 1891 . . . .	10	10
” 1892 . . . .	9	9
” 1893 . . . .	11	9
” 1894 . . . .	15	10
” 1895 . . . .	12	10
” 1896 . . . .	13	9
” 1897 . . . .	12	9
” 1898 . . . .	13	9
” 1899 . . . .	13	9
” 1900 . . . .	14	9
” 1901 . . . .	15	9
” 1902 . . . .	17	9
” 1903 . . . .	21	10
” 1904 . . . .	24	10
” 1905 . . . .	47	11
” 1906 . . . .	43	11

## Socialism in the Poor Law

According to the Report, the main increase seems to have sprung from a resolution passed by the Guardians in November, 1904, under which relief in kind was given to able-bodied men without a test of any sort being imposed (p. 20).

The dietary of the workhouse was of the very best. The Board of Guardians "were also determined, whether by legal or illegal methods, to stretch the powers of the Poor Law, so that in a Socialistic fashion it could give easy and comfortable relief to able-bodied paupers and the unemployed" (p. 38).

"The general pauperisation of the inhabitants of the Union must mainly be attributed to the policy of the Guardians, for the evidence shows that there is no change in the economic conditions of the district which would otherwise account for it. And yet the effects of this policy, in the view of one of the persons mainly responsible, can only be remedied by general changes in the law of the country" (p. 40).

"It is difficult to avoid the conclusion that both the rise and the decrease in pauperism were mainly due to the deliberate action of the Guardians ; and that the absence of thrift and economy which characterised their general administration was also in a great measure deliberate. Under the electoral conditions which prevail at Poplar, neither the individual Guardians nor their chances of re-election were materially affected by an increase of rates, and they were free to pursue their ulterior aims without much personal loss. Those aims were no doubt to produce a situation which would compel the Government to interfere, so as to bring about an equalisation

## Socialism in Local Government

of the rates within the metropolitan area, and legislation with regard to unemployment in accordance with the political views of the leaders. The *Guardians* appeared some time ago to have realised that their demonstration had not been successful ; but, though the factitious pauperism disappeared as soon as the relieving officers reverted to their ordinary practice in dealing with able-bodied applicants, it is to be feared that the demoralisation which must accompany lavish grants of relief will long be felt in the district. The helpless position of the people who pay rates, and who in many cases are little better off than the recipients of relief, is quite pathetic " (p. 40).

"Giving the fullest weight to these considerations, Mr. Crooks and Mr. Lansbury must still be held in no small degree responsible for the effects of a policy which has led to the pauperisation of great numbers of the inhabitants of the district, to a subsidising of women's casual labour with the inevitable growth of sweating and of starvation wages, and to an increase of the expenditure which has inflicted much hardship upon struggling tradesmen and others " (p. 40).

In no Poor Law Union has Socialism held such uncontrolled sway as in Poplar. And the economic results have been disastrous.

It is notorious that indulgence in Socialistic experiments is strongly reflected in increased taxation. The cost of Poor Law relief is now nearly fourteen millions every year. In 1885, when Socialism began to break down the principles underlying the Poor Law which were formulated in 1834, the cost was 6s. 3d. per head of population. To-day it is 8s. 2d. per head. While the average expense of a pauper child

## Socialism in the Poor Law

in South Australia is 5s. 4 $\frac{3}{4}$ d. a week, or £14, os. 7d. a year, the cost in England is generally double, and sometimes treble and fourfold. As Miss Edith Sellers, a well-known Poor Law expert, has pointed out: "Every State child in Bermondsey, for instance, costs the community 20s. a week; every State child in Poplar, 19s. 2d.; in Woolwich, 18s. 7d.; and even in St. George's in the East, 15s. 6d." <sup>1</sup>

The general tendency towards the application of Socialist methods to all departments of Poor Law relief throughout the country is calculated, unless arrested, to produce the same lamentable consequences as in Poplar. The movement, moreover, has by no means diminished, and the guides of British legislation and administration will, it is to be feared, continue for some years to be permeated with Socialistic influences. Then it may be expected that Imperial and local taxation, driven up to an enormous height in order to provide the means for Socialistic experiments, will cause a swing back of public opinion into paths of prudence.

<sup>1</sup> *Albany Review*, July, 1908.

## XVIII

### THE RIGHT TO WORK

THE problem of unemployment is almost as old as the hills. The sight of an efficient labourer willing to work, and yet unable to find employment, is pitiable indeed. It is not, therefore, matter for surprise that many schemes for the solution of this evil have been propounded. All have proved equally futile.

The Administrative Socialist has his particular remedy. He urges the adoption by the State of the Socialist doctrine of "the right to work." Though, as we shall see presently, this theory is no product of latter-day Socialism, its present-day development is due to the programme of the Independent Labour Party for 1907-8. After setting forth the usual claim that all land and capital should be collectively owned and managed, the programme demands, "as a means to this end," the enactment of certain measures, of which one is: "The provision of work to all capable adult applicants, at recognised trade union rates, with a statutory minimum of six-pence per hour. In order to remuneratively employ the applicants, parish, district, borough, and county councils to be invested with powers to—

- (a) Organise and undertake such industries as they may consider desirable.



## The Right to Work

- (b) Compulsorily acquire land ; purchase, erect, or manufacture buildings, stock or other articles, for carrying on such industries.
- (c) Levy rates on the rental values of the district, and borrow money on the security of such rates for any of the above purposes."

This scheme, fraught with dire consequences to local government, found legislative expression in "The Unemployed Workmen" Bill, which came before the House of Commons in the Session of 1907, and again in March, 1908. On the latter occasion it was defeated by 265 votes to 116 votes. That so large a body of support should have been accorded to the measure makes it imperative to carefully examine its nature. The terms of the Bill, as explained by Mr. J. Ramsay Macdonald, M.P., in a pamphlet entitled *The New Unemployed Bill of the Labour Party*, are, that certain local authorities "shall be the local unemployment authority," and that registers for the unemployed must be opened all over the country. Then comes the vital clause, No. 3 : "Where a workman has registered himself as unemployed, it shall be the duty of the local unemployment authority, subject to conditions hereinafter to be imposed, to provide work for him in connection with one or other of the schemes hereinafter provided or otherwise, or failing the provision of work, to provide maintenance, should necessity exist, for that person and for those depending on that person for the necessaries of life. Provided, that a refusal on the part of the unemployed workman to accept reasonable work upon one of these schemes, or other employment upon conditions not

## Socialism in Local Government

lower than those that are standard to the work in the locality, shall release the local unemployment authority of its duties under this section." "This Clause is a Right to Work Clause," states Mr. Macdonald.

A Central Unemployment Committee is to be formed, and Commissioners appointed; also local Committees, for "unemployed schemes must become part and parcel of the ordinary duties of the ordinary local administrative bodies." Provision is made for dealing with idlers and emigration, and the "local authority shall not supply workmen to firms of employers or their agents, servants or representatives, during times of trade disputes in which these firms or employers are involved." It will be noted that while employers are debarred from obtaining workers during strikes, there is no provision preventing strikers from obtaining work or maintenance from the local authority. Practically, this Clause 7, subsection 5, places the capitalist at the mercy of his workmen, because they can always demand higher wages, &c., and failing to obtain them by negotiation, can strike and fall back on the local authority for maintenance.

The financial clauses provide for national and local contributions, but these provisions must not be regarded as being more than provisional, and "after experience the clause will probably be amended so as to carry out the intentions of the Labour Party with greater certainty." Works of national utility, such as afforestation and reclamation of land from the sea, are to be undertaken. Further, any local unemployment authority may provide dwellings,

# The Right to Work

buildings, materials, tools, implements, machinery, and plant, and acquire land compulsorily, for the purposes of the Act.

Now, "The Right to Work," in simple language, means a right on the part of the worker to have work given to him by the State. Further, as is shown by the plan of the Independent Labour Party, the recognition of that right involves the organisation and control of all forms of industry, so that all workers can be supplied with employment in their own particular trade. Otherwise, how secure remunerative employment for all?

Moreover, though Mr. Macdonald admits that "we cannot make the unemployed the founders of the Socialist State," he declares in the same pamphlet: "We shall begin a new form of social organisation. . . . Every successful attempt made to fill the mouths of the unemployed and his family, not by charity, but by work such as is provided for in this Bill, is a stage towards the complete state of the democratic organisation of industry. The solution of the unemployed problem is the beginning of the Socialist State." And when the Bill was before Parliament on the 13th March, 1908, a circular sent to members of Parliament in support of it announced that this was the first step to Socialism.

We thus see that the admission by Parliament of this right practically commits the country to the adoption of Socialism. The State must, through the local authorities, exercise vast powers over property, and also control the lives of the people to a degree not differing from absolute slavery. "It is making the State God, and Labour the slave ; it is the death-blow

## Socialism in Local Government

to all free dealing between man and man under the pretence of destroying the abuses of competition."<sup>1</sup>

As had been pointed out by Professor Flint, the first result would be that "it could not fail to take away from individuals the motives which had constrained them to seek labour for themselves, to be careful not to lose it when they got it, and to make while they had it what provision they could for supporting themselves when they might not have it. In other words, the State, by assuming the responsibility of finding and providing labour for the unemployed, would necessarily encourage indolence and improvidence, favour the growth of irregular and insubordinate conduct among those engaged in industrial occupation, diminish individual enterprise and energy, and deaden the sense of personal responsibility. And the obvious consequence of its thus demoralising its citizens by leading them to trust to its intervention, instead of depending on their own exertions, is that it would find itself necessitated to employ and support them in large numbers, and in always increasing numbers, as they would become continually less inclined and less fitted to take care of themselves."<sup>2</sup>

Ample evidence of this evil tendency to rely on the State for support is to be found in the administration of the Unemployed Act of 1905, which went perilously near to legislative recognition of "The Right to Work."

In London, and in many provincial towns, relief works have been started during the winter slackness of trade. The reports of Local Government Board inspectors and others prove that the evils of this

<sup>1</sup> Lamartine.

<sup>2</sup> *Socialism*, p. 410.

# The Right to Work

system of dealing with unemployment outweigh the temporary relief afforded by it. One inspector reported with regard to the West Riding of Yorkshire, that in the circumstances under which work for the unemployed had been provided, "there seems to be every likelihood of a stereotyped class of men being evolved who will be content to live on three days' work a week."<sup>1</sup>

Another report stated that "irregular relief work has such charms that numerous instances have been noted of men throwing up regular wages at 18s. and 19s. a week to 'earn' from 5s. to 7s. in a stone yard." From Manchester and Salford it was stated that "many men under a labour test left their work and forfeited the day's relief in order to join a procession of the unemployed." The same thing happened at the Laindon Labour Colony, and with the connivance of the authorities responsible for its administration.

The report of Mr. H. Jenner Fust on Poor Law Administration (Local Government Board Annual Report, 1905-6) stated: "Up to the 16th February, 1906, 2500 persons in Liverpool, including 144 women, had applied for work. Work was offered to 632 of these, and accepted by 370. Of the remainder, 223 did not put in an appearance, 28 refused to work, and 11 found work elsewhere. . . . Investigation has shown that too many of those posing as the unemployed are either incapable of work, or are unwilling to work when employment has been found for them."

Another report of Mr. Nicholas Herbert on Poor Law Administration (No. 33) stated:—

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<sup>1</sup> *Local Government Board Annual Report.*



## Socialism in Local Government

“ At Birmingham, 1454 applications were made to the Distress Committee ; but as 57 of the applicants gave false addresses or did not reside within the city, the number to whom the Committee could offer work was 1397. Of this number, 1196 were selected for work, and of the 201 who were refused, 143 had no one depending upon them, 28 had sufficient income, 9 were referred to the Poor Law, and in 4 cases the particulars supplied were unsatisfactory. Of the 1196 cases to whom employment was offered, 165 did not turn up to perform the work, and in 224 cases time was lost by the men working, varying from men who only worked one hour to those who lost but half-an-hour. Five hundred and seventy-two of the applicants had either small pensions, or their families were able to earn money. The following table shows the income of these applicants :—

- 31 applicants had pensions ranging from 1s. 6d. to 6s. a week.
- 73 applicants had children contributing from 1s. to 5s. a week.
- 69 applicants had children contributing from 5s. 6d. to 10s. a week.
- 55 applicants had children contributing from 10s. 6d. to 15s. a week.
- 14 applicants had children contributing from 16s. to 19s. a week.
- 13 applicants had children contributing from 20s. to 46s. a week.
- 192 applicants had wives earning from 1s. to 5s. a week.
- 111 applicants had wives earning from 5s. to 10s. a week.

## The Right to Work

14 applicants had wives earning from 10s. 6d. to 46s. a week.

Of the 1454 applicants, 967 were unskilled labourers."

Referring to the thirty-sixth Annual Report of the Local Government Board, 1906-7, we find that the report of Mr. E. B. Wethered on Poor Law Administration stated: "It is the unskilled type of workmen who chiefly constitute the problem. Very many of these men, doubtless, are not too fond of work, and are thriftless. If men of this type discover that in times of depression they can be found work out of public funds, they are not likely to exert themselves in times of prosperity with a view of providing against less prosperous times" (p. 312).

Another report deals with a foolish example of Poor Law administration at Leicester. Alluding to the outdoor labour yard, the inspector states: "Some of the men relieved in the labour yard were no doubt *bona-fide* unemployed and self-respecting workers, but there are very strong reasons for believing that there were others not deserving of the Guardians' assistance, and in no way entitled to consideration. The continuous employment in the labour yard, with no prospects of receiving an independent position, must have had the effect of demoralising even the best men. The number of applicants for relief became so great, that it was practically impossible for the Guardians to exercise a proper discrimination in their grants of relief.

"The application and report books of the relieving officers show that men convicted of assault, stealing, and desertion were granted relief on the labour test.

## Socialism in Local Government

There are also entries in these books that men have appeared before the Guardians the worse for drink, and yet have been granted relief on the labour test. The labour yard offered to too many who were devoid of energy a constant source of employment. In February, 1906, one relieving officer had on his books 105 who were working in the labour yard ; of these 33 had been on the labour test for one year, 7 for two years, and 1 for three years.

"The staff of relieving officers was insufficient to carry out the necessary investigations, and cases of fraud were not unknown. Cases of obtaining relief under false pretences appeared in the Leicester police court in the early part of the year. Consequently the Guardians were compelled to increase their staff, and three assistant lady relieving officers were appointed. This enabled the relieving officers to give more time to the visiting and investigation of the circumstances of the applicants, which resulted in a decrease of numbers—a strong argument in favour of the appointment of a superintendent relieving officer for the purpose of cross-visiting.

"The effect of such administration has been what might have been expected, and indeed was foretold by some of the Guardians. The rates, in spite of a largely increased valuation of property, have gone up, and houses and workshops have emptied, with consequent loss to the owners of property and to the rates, while industries threaten to leave the town " (p. 322).

The report of Mr. P. H. Bagenal (p. 336) stated, that of the several classes who seek for test labour, one class consists of men with the "settled intention to live at the expense of others." They hold "the

## The Right to Work

belief that they can force the Guardians to provide regular employment for them out of the rates. The result is that they have become increasingly importunate and insolent in their attitude. The question really comes to this: whether a small class of sturdy paupers or the Guardians are to be permitted to dictate the terms of relief. The Guardians have the remedy in their own hands. Directly test labour becomes continuous and an end in itself, it should be stopped. The Guardians can offer full relief to these men and their families in the institutions which they have built at great expense to the ratepayers. There they can be maintained until such time as the men choose to devote themselves to honest labour. If they refuse this relief, the Guardians are legally justified in refusing any other means of maintenance. Their responsibility is discharged. The situation is, on a small scale, exactly what it was before the Poor Law was amended in 1834, when paupers were manufactured by analogous methods of parish relief. The remedy then applied on a large scale succeeded in reducing able-bodied pauperism to a minimum. The same remedy can be applied to-day with equal success if only sufficient moral courage is forthcoming."

The opportunity for idleness which is thus afforded to inefficient workmen is not the worst phase of the matter. Lacking moral courage, many local authorities, under the pressure of Labour-Socialists, and local demonstrations and deputations of "unemployed," have started works, in most cases not immediately necessary or of use to the locality, in order to find jobs for "out of works."

## Socialism in Local Government

The consequence has been that these works have been executed at an abnormal expense. This has been borne by the ratepayers, the great majority of whom belong to the working classes. Let us quote a few examples. The Metropolitan Borough of Stepney in the winter of 1904-5 decided that the use of road-sweeping machines should be discontinued, and that hand labour should be substituted. The consequence was that street cleaning, which under usual conditions would have cost £486, actually cost £3569. Another East-End Borough, Poplar, expended many thousands of pounds in tearing up good macadamised and little-used streets, and relaying them with stone setts, in order to make work. With equal reason and sense, both these local authorities might have sent a disorderly mob down the main streets to smash shop-windows in order to find work for glaziers.

From an examination of the relief schemes organised under the Unemployed Act of 1905 we ought, indeed, to learn the wisdom dearly bought of experience. That Act was described by Mr. John Burns, the President of the Local Government Board, as having resulted in partial, in some cases complete, failure. During the Parliamentary debate on the Unemployed Workmen Bill of 1908, Mr. Burns, speaking in opposition to the measure, stated that the kind of works to be set up under the Bill would be works precisely similar to those that he was then administering, and to which he was "banker, clerk of works, and foreman."

"What kind of works are these? I will take Hollesley Bay, which is an exact replica of the



## The Right to Work

type of work which would be set up by this Bill. That estate, where on an average 250 men are employed every day, has cost the Central Unemployed Body, in less than three years, a gross sum of £100,000.<sup>1</sup> Before the estate became a public relief works, a steward with eighteen farm hands was able to make a small profit or a small loss every year. Since it became a State Relief Works, with 250 men engaged on it, it has had a net loss of £21,000 a year. . . ." In all, some 2500 men passed through the colony. Of these, 148 emigrated, and only 37 returned to the land. "The labour and the work of these men is brought into competition with the local market gardeners and farmers, and when I go down to Hollesley Bay I am confronted with small deputations of professional, decent agricultural labourers, complaining of the fact that our attempt, well-intentioned, charitably inclined, and fed with State money, is dispossessing the decent agricultural labourer.

"I go from Hollesley Bay to another type of colony. I take South Ockendon, which has cost up to this moment £22,000 for purchase, maintenance, buildings, and so forth, and it has an average daily attendance of seventy men. What are the facts, and I put them as charitably as one can? Seven hundred and ninety men have passed through that colony at a cost per week per man of anything between 30s. and 32s., including the allowance to the family, and in the whole time that that colony has been in operation—and no one will but admit that I have given it the most generous and fatherly

<sup>1</sup> The purchase money was £43,700; gross cost of management, £62,000.

## Socialism in Local Government

assistance—out of the 790 which have gone through that colony—its object being to train men for the land, to take them back to the land—there is not a recorded instance of the men going back to agricultural work. . . . The average cost per man per week is just double the rate of wages paid to the agricultural labourer in the district.

“I come to my third illustration. I will take the rural workhouse called Laindon. Laindon has cost to this moment in round figures for cost and maintenance £20,000; and it extends to 100 acres, and has an average of 140 men engaged upon it. Laindon is a type of the thing we should come to if we had penal colonies. I went there and saw an old agricultural labourer, between sixty and sixty-five years old, digging in a field within 200 yards of it, getting 15s. or 16s. per week. I said to him, ‘How long does it take you to dig an acre of land?’ He said, ‘It takes me a fortnight to dig an acre of that land.’ I went across the rail and found on the public works sixty-seven able-bodied men under conditions approximating to a penal colony similar to those under right-to-work conditions, taking ten days to dig an acre and a half.”<sup>1</sup>

The President of the Local Government Board further stated that the facts he had given were equally applicable “to experiments like Hadleigh, Murieston, and Starnthwaite.” Referring to another type of relief works—the women’s workshop at Poplar—Mr. Burns asserted “that £1514 has been paid for clothes made by women employed at these relief works, which could be got, better in cut and

<sup>1</sup> Hansard, March 13, 1908.

## The Right to Work

style, and probably in quality, for £994. Moreover, in the reports from East End Boards of Guardians it is pointed out that this work displaces professional women who have been hitherto doing it."

Reviewing the total result of the experience gained from the administration of the Act of 1905, Mr. Burns stated that "all the distress committees throughout the country, including the Central Unemployed Body, are agreed that relief works, whether carried out by philanthropic efforts or by public authorities, do the workmen more harm than good, and perpetuate and stereotype in industrial society the very chaos they are supposed to remove."

With regard to the proposal to pay standard wages to every unemployed man and woman, Mr. Burns drew a convincing picture of the economic cataclysm which would be brought about by the Bill:—

"This Bill demands the compulsory right to work. Under this Bill every local authority is to be compelled to employ every unemployed man and woman according to their capacity at trade union or standard rates of wages, and in the event of its being unable to provide such work, there is to be maintenance. What is to be this maintenance in the absence of work? Is it to cost 24s. per week as at the Laindon rural workhouse, or 30s. as at Hollesley Bay and South Ockendon? We all know, as practical men, that if once we concede the principle of the Bill, we shall have the lanes of our country districts black with men, no longer content to receive 15s. to 18s. a week, coming into our towns and cities where the minimum rate will be 28s. or 30s.; and thus we shall reach this condition of things, that the last lot

## Socialism in Local Government

of the poor in our cities will be infinitely worse than the first.

"I will give the House a practical illustration. What will become of the riverside labourers and the casual dock labourers if this Right to Work Bill is passed? Their ranks will be increased by the alluring temptation that the Bill will hold out, not only to men who are unemployed, but also to men who are in work in country districts at lower than the guaranteed standard rates in the towns under this Bill. In connection with the existing relief works, there are cases in which men have left their ordinary work, where they have to give full measure, and sometimes overflowing measure, to engage in country relief works, which can never be properly organised or profitably carried on under a Bill such as this. What effect will the Bill have on the unemployed of all trades? . . . They cannot work at their own trade, because it does not afford employment. In a penal colony there is market gardening, which is three times more unprofitable than free competitive work. The only trade that offers employment under this Bill is the building trade. That is the trade which is always most fluctuating, and has always the largest number of men out of work. It is the building trade that will have to absorb the residuum of the unemployed of every other trade, and the result will be that the standard of efficiency of the men will be reduced, and the trade will be damaged in every respect by the building trade being made more casual than it is. . . .

"If the right to work is recognised, and every navvy has the right to claim work or maintenance, then

## The Right to Work

men will not take the trouble to walk from job to job, from railway to waterworks ; they will not cross the Channel to do laborious work for three or four months in one year. They will remain in their own parishes, and when they are out of work they will go to the town-hall and register their names. They will consider that they have done their duty in looking for work when they have registered themselves at the labour bureau, especially when maintenance rewards their indisposition to look for work."

From these actual experiences, and from the probable results of such schemes established to relieve the unemployed, we can form some idea of the grave disaster that would ensue from any attempt to generally recognise the "right to work." Were such a right placed upon the Statute Book, the local authorities, or the Central Government itself, might find themselves committed to provide work for millions of persons. That would entail the levying of heavy rates and the raising of huge loans by municipalities to "organise and undertake such industries" not "as they might consider desirable," but as they were forced by the exigencies of the situation to adopt. By undertaking the organisation of industry to meet only the temporary emergency of seasonal slackness of work, a huge financial loss would be entailed. Then would follow, in the natural course of events, a demand for continuous, and not merely temporary, municipal action, in order to secure what the Labour programme calls "remunerative employment."

Moreover, as we have seen, the right to labour "necessarily implies employment at current wages



## Socialism in Local Government

and in the various trades to which the unemployed belong." The bricklayer and carpenter must be engaged in building, the watchmaker in making watches, the clerk in clerical work, and the engineer in engineering. In fact, there is not any stopping point short of full recognition of the demand made by Proudhon in his *Le Droit au Travail et le Droit de Propriete* :—

"The right to labour is the right which every citizen, whatever be his trade or profession, has to constant employment therein, at a wage fixed not arbitrarily or at hazard, but according to the actual and normal rate of wages."

By this means, the full Socialist State would be realised. All freedom of trade and competition would have to be abolished ; the State ownership and management of the means of production, distribution, and exchange would be established ; all labour would be State labour.

So far we have only considered the attempt which is now being made to establish "The Right to Work" as part of the law of Great Britain. It is, however, both interesting and instructive to notice the disastrous experiment which was tried in France, and which nearly brought about the downfall of the French Republic of 1848. With the overthrow of the Monarchy, France found itself under a provisional government composed of three parties—the Liberal Party ; the Socialist Party, comprising various sections, each advocating the reconstruction of Society on different Socialistic lines, the most popular being "the reorganisation of labour"; the Revolutionary

## The Right to Work

Party, with no ideals at all except riot, and consisting of the disorderly and criminal classes, who are always opposed to any form of government.

In his *History of the National Workshops*, M. Emile Thomas gives a vivid picture of the rise and fall of the State workshops. The new Republican Government, under Socialistic influence, and ruled by the labouring classes of the capital, on February 25, 1848, issued a decree, drawn up by Louis Blanc, and hurriedly passed by the Government, to the following effect:—

“The Provisional Government of the French Republic engages to guarantee the existence of the workmen by labour. It engages to guarantee work to all citizens; it recognises that the workmen ought to form associations in order to enjoy the legitimate reward of their labour.”

This was followed by a further decree for the “immediate establishment of national workshops.” M. Emile Thomas was entrusted with the organisation of the unemployed on lines similar to those laid down by Saint-Simon, who died in 1825, and who was one of the founders of Socialism. His plan was that the State should own the means of production and organise industry on the line of the maxim, “To each according to his capacity, and to each capacity according to its works.” Establishing his headquarters in the Parc Monceaux, M. Thomas began his task of organising the Parisian “out-of-works” without delay. At a conference with the Mayors of the various wards of Paris, the young disciple of Saint-Simon enunciated his plans, and promised to be ready in a few days to enrol the first

## Socialism in Local Government

lot of three thousand men from a certain distressful district, the other parts of the town to be dealt with on successive days. Naturally, industry was stagnant, or only feebly active, in the storm and stress of revolt, and apart from the powerful Socialist army of artisans, who wished for State industries, there were many thousands of unemployed who held no views at all, and only wanted work. The pupils of the Central School of Engineering, who held the favour of the multitude, were to maintain discipline, mainly by moral example. The unit of organisation was a section of eleven men under a chief, "then came the brigade of five sections under a brigadier," and so on. We are told that the rates of pay were low, the workers receiving 2 francs on days of activity, that is to say when any work was done; and  $1\frac{1}{2}$  francs when work was not available. The officers or supervisors were paid a little more. One of the first works undertaken was simple enough. It was to remove the remains of the trees destroyed during the street fighting, and to plant fresh ones. This work only entailed the labour of a few hundred men, and the remainder were sent on foot to fetch tools from the forts around Paris, and to procure trees from distant nurseries. As M. Thomas admitted, "This method of transport was at once absurd and ruinous, but what did the loss of a few hundred francs matter in comparison with the bad example of giving a subsidy to idlers?" The next important event was the arrival of another 1200 men, most of them with personal recommendations from prominent politicians asking that they should be given posts as superintendents. M. Thomas began to experience

## The Right to Work

grave difficulty in finding work for his brigades of unemployed. The Ministry of Public Works was daily appealed to, but always came the reply, "The engineers have found no jobs yet." The Government dallied with various schemes, and assented to none. The result was that the "national workers" became daily more unruly, troublesome, and unproductive.

The state of affairs was gravely aggravated by the fact that not only did the unemployed apply for work, but also all those who had chosen to come out on strike for higher wages and better labour conditions; so that the Provisional Government was providing not only relief but strike pay, and discouraging private employers in their efforts to restore commercial confidence.

In less than a fortnight M. Thomas had some 14,000 men unoccupied. So serious was the condition of affairs that the Government was forced to do something to justify its decree guaranteeing work for all citizens. The Ministry of Public Works was accordingly instructed to set the Government engineers the task of starting artificial works, and various schemes of road-making and levelling were adopted. This gave employment to the majority of the men already enrolled.

It is to be observed that no general effort was made to organise the various industries, though Louis Blanc started Government workshops to supply army clothing and equipment.

The *Economist* of May 20, 1848, thus describes this experiment, which began with peculiar advantages:—

"The Government made the buildings suitable

## Socialism in Local Government

for the purpose without rent or charge ; furnished the capital, without interest, necessary to put it into immediate and full operation, and gave an order to commence with for 25,000 suits for the National Guard, to be followed by more for the Garde Mobile, and then for the regular troops. The first step taken was to ascertain at what cost for workmanship the large tailors of Paris, who ordinarily employed the bulk of the workmen, and performed Government contracts, would undertake the orders. Eleven francs for each dress was the contract price, including the profit of the master tailor, the remuneration for his workshop and tools, and for the interest of his capital. The Government agreed to give the organised tailors at the Hotel Clichy the same price. Fifteen hundred men were quickly got together, with an establishment of foremen, clerks, and cutters-out. It was agreed that inasmuch as the establishment possessed no capital to pay the workmen while the order was in course of completion, the Government should advance every day, in anticipation of the ultimate payment, a sum equal to two francs (1s. 7d.) for each man in the establishment, as 'subsistence money' ; that when the contract was completed the balance should be paid and equally divided amongst the men. Such fair promises soon attracted a full shop ; and when we visited the Hotel Clichy upwards of 1500 men were at work, and apparently were not only steady, but industrious. The character of the work they were upon at the time, the urgency of the ragged Garde Mobile for their uniforms, formed an unusual incentive to exertion ; the



## The Right to Work

foreman told us that notwithstanding the law limiting the hours of labour to ten, the 'glory, love, and fraternity' principle was so strong that the tailors voluntarily worked twelve or thirteen hours a day, and the same even on Sundays; they seemed to forget the stimulus of the expected balance which each was to receive at the conclusion of the contract.

"What was the result? For some time many contradictory statements were put forward by the friends and opponents of the system. Louis Blanc looked upon it as the beginning of a new day for France. He had already arranged that as the tailors were the first to begin, the cabinet-makers should next be organised, and one by one all the trades of France. He forgot that he would not have an order for the cabinetmakers to furnish half the houses in Paris to begin with; this, in his estimation, was no difficulty. He had in view public warehouses for the sale of furniture; and although not a chair or table had been sold in the existing overstocked shops for two months, he had no doubt about customers. But the result of the experiment in the Hotel Clichy had been fatal. The first order was completed; each man looked for his share of the gain. The riches of Communism, and the participation in the profits, dazzled the views of the 1500 tailors, who had been content to receive 1s. 7d. per day as subsistence money for many weeks; no doubt every one in his own mind appropriated his share of the 'balance'; for once he felt in his own person the combined pleasure of 'master and man.' The

## Socialism in Local Government

accounts were squared. Eleven francs per dress for so many dresses came to so much. The subsistence money at 1s. 7d. a day had to be deducted. The balance was to be divided as profit. Alas! it was a balance of loss not gain; subsistence money had been paid equal to rather more, when it came to be calculated, than sixteen francs for each dress, in place of eleven, at which the master tailor would have made a profit, paid his rent, the interest of his capital, and good wages to his men, in place of a daily pittance for bare subsistence. The disappointment was great when no balance was to be divided. The consternation and disturbance was greater when a large loss was to be discussed, for which no provision in the plans had been made. The customers—that is, the New National Guard and the Garde Mobile—were in a rage at the detention of their uniforms, and the whole attempt seems to have resulted in confusion and disappointment.”<sup>1</sup>

Of course the reason of this failure is obvious. Each worker felt that the product of any extra effort on his part would have to be shared among all the workmen instead of being enjoyed by himself alone. Therefore, there was a general decrease in exertion, and not all the enthusiasm for the “organisation of labour” could avert a loss. No doubt this failure to fit every man with his proper work caused much discontent, which was increased by the growing numbers of unemployed who continued to flock to Paris after having left their situations in the surrounding districts. At a very early stage of the

<sup>1</sup> *The Economist*, 20th May, 1848.

## The Right to Work

experiment it was found that many of the "citizens" were not anxious to work. They were not animated by any desire to contribute to the general welfare of the community. Their motto was, "A maximum of pay for a minimum of work." In fact, they chose rather to take 1½ francs a day for doing nothing than 2 francs for hard, unskilled work. Therefore, the pay for a day's idleness was reduced to 1 franc, but without effect, for the "brigades" of citizens in search of work grew to an inordinate extent. The administration was bad, and supervision became almost a dead letter. Men drew their 1 franc a day as unemployed though they were in ordinary employment. It is interesting to notice that this same trick was very prevalent in Poplar in recent years under a badly administered system of outdoor relief. Men in receipt of aid from the Poor Law authorities were at the same time in regular or intermittent employment—the latter being a matter of discretion. To return to Paris and '48—other men enlisted in several brigades, and drew pay from all of them. These frauds, difficult enough to detect by an expert staff, were never checked by the army of officials at headquarters, who, as M. Thomas complains, had been appointed on political recommendation. It is recorded that every single member of the Provisional Government had his nominees. One member sent no less than 700 applicants. In fact, M. Thomas states that the national workshops were regarded by the Ministry as a sort of drain to draw off from the politicians the clamouring mass of place-hunters and political parasites.

To show the extraordinary demands made upon

## Socialism in Local Government

his department, M. Thomas gives an account of an order sent to him from the Ministry of Public Works requesting him to deal at once with all the claims of six hundred persons, mainly dramatic artists, painters, sculptors, designers, bank-clerks, and shop assistants. This batch of claimants had addressed to the Ministry the following powerful plea :—

“The Republic has guaranteed work to every citizen. We have none. We do not ask that work should be given to us, as was promised, each in our own occupation. We know that this would be impossible. But at least give us the opportunity of honourably earning the bread we need. We are at the end of our resources, and the municipal authorities refuse to give us tickets of admission to the national workshops because we wear the clothes to which we have been accustomed and not the dress of workmen. Yet we are worthy of pity as well as they.”

With a wonderful disregard of financial considerations, M. Thomas set the whole 600 to act as inspectors of pay sheets, and as visitors of the workmen in their homes in order to report upon their physical and moral condition.

So matters proceeded from bad to worse, until by the end of April the army of men claiming the “right to labour” had reached the enormous figure of over 100,000, though generally there was not the slightest pretence of working, and only 12,000 at most could be found work of an unproductive nature. Accordingly the “national workmen” were harangued by a Minister who laid stress upon the duty of working, and thereby provoked murmurs of disapproval.

## The Right to Work

As might have been foreseen, the drain upon the national treasury caused by the maintenance of "the national workmen" became almost unbearable. The idle masses of workmen were regarded with hostility by the Parisians. The National Assembly which had in the meantime been elected by the whole country was less susceptible to Socialistic ideas than their forerunners — the Provisional Government. The constant demands for fresh subsidies called forth growing protests. "The monster of democratic Socialism," as Proudhon called it, threatened to bankrupt France. M. Trelat, the Minister of Public Works, tried to formulate a scheme for the gradual reduction of the national workshops by drafting the men, as occasion presented, to private and public works. Sedition crept into the ranks of "organised labour." Threats were offered to the Government, and ultimately M. Thomas was arrested and taken under police escort to Bordeaux. Preparations were made by the Government to meet the conflict now deemed to be inevitable. A strong force was gathered together at various points. An order was issued on June 22nd, offering service in the army to bachelors between the ages of eighteen and twenty-five; invitations were sent to private employers to apply for workmen; dismissal was the fate of all national workmen who refused offers; the remainder was to be drafted on to works in the provinces. A deputation of workmen to the Assembly was answered by the threat, "If the labourers do not voluntarily submit to the decree they will be expelled by force from Paris." This was the signal for revolt. The army of workmen, organised in brigades, erected barricades,



## Socialism in Local Government

and after a four days' battle in which 900 troops were killed and some 2000 wounded, the "national workmen" were utterly routed with unknown losses. Nearly 4000 workmen were transported to Algeria. Thus ended the State recognition of the "right to labour" by the French Republic of 1848.

The main proposal embodied in the Right to Work Bill promoted by the Independent Labour Party is practically on the same line as that adopted with such disastrous results in Paris during 1848. And while the more sober temperament of the Briton would doubtless save us from the worst excesses of the French experiment, a like attempt in this country would involve us in a dreadful economic catastrophe, frightful social disorder, and suffering. The sorry results of the few scattered experiments of labour colonies already related should serve as a warning against the larger schemes which Administrative Socialism advocates.

It is important to note that in 1893 the Socialist Party in Switzerland made a similar proposal. Having secured the necessary 50,000 signatures, the clause was submitted to a vote of the whole people. The clause read: "The right to sufficiently paid labour is guaranteed to every Swiss citizen. The Federal Legislature, in co-operation with the cantons and communes, will give practical effect to this principle in every possible way." At the voting in June, 1894, the proposed "right to work" was defeated by 308,289 votes to 75,880.

It would appear, then, that we must unhesitatingly reject the Socialist doctrine of "The Right to Work."

# The Right to Work

It provides no solution of the unemployed problem. We must continue to walk with prudence the old road of experience, and not seek to solve our difficulty by giving "out-of-works" employment of a kind which no one wants, at the expense of those in work. The governmental distribution of capital in the payment of labour which makes no adequate or equal return, spells economic ruin. To prevent irregular work we must look to the better organisation of industry by those engaged in it. The application of registration methods to seasonal trades might well save an undue influx of unskilled labour into particular trades. If firms and employers in seasonal trades could be induced to co-operate with the various Labour Bureaux in devising some scheme for registering the labourers engaged in those trades, and for a systematic transfer from one trade to another as occasion and demand arose, a long step would be taken towards removal of the curse of intermittent, casual labour.

It is true, too, to say that there is good cause for believing that the unemployed question is becoming less acute than it was. There is "no good reason for thinking that inconstancy of employment is increasing on the whole."<sup>1</sup>

"In the long run every branch of industry would prosper better, if each exerted itself more strenuously to set up several standards of efficiency for labour, with corresponding standards for wages; and were more quick to consent to some relaxation of a high standard of money wages when the crest of a wave of high prices, to which it was adapted, had passed

<sup>1</sup> Marshall's *Principles of Economics*.

## Socialism in Local Government

away. Such adjustments are full of difficulty ; but progress toward them might be hastened if there were a more general and clear appreciation of the fact that high wages, gained by means that hinder production in any branch of industry, necessarily increases unemployment in other branches. For, indeed, the only effective remedy for unemployment is a continuous adjustment of means to ends, in such a way that credit can be based on the solid foundation of fairly accurate forecasts ; and that reckless inflations of credit—the chief cause of all economic malaise—may be kept within narrower limits.”<sup>1</sup>

The solution of the question lies not in the power of any Government, but in the organisation and foresight of each individual industry. Judgment as to the national and international demands for the products of each trade must rest with the captains of industry, assisted by a competent Board of Trade, and on their skill depends the steadiness or unsteadiness of employment.

A hundred methods of alleviation are available, and the most promising one is provision on the part of the workman against the day when work is not procurable. There may yet be evolved some kind of voluntary insurance scheme, which will afford a means of “tiding-over” the enforced “days of rest.”

<sup>1</sup> Marshall's *Principles of Economics*.

## XIX

### MUNICIPALISATION OF THE “DRINK TRAFFIC”

NOT the least important item in the programme of the Administrative Socialist, and one which he deems to be now well within the range of practical politics, is the municipalisation of the drink traffic.

Strangely enough, though the point has often been discussed, local authorities have never been invested with power to either grant public-house licenses, or to control and regulate the sale of intoxicating liquors. As far back as 1835, when introducing the Municipal Corporations Bill, Lord John Russell proposed that the power of granting ale-house licenses “should be left to the Council, or a Committee of the Council.” Nothing, however, was done to carry out the proposal.

Thirty years later, Mr. Joseph Chamberlain placed before a Committee of the House of Lords a scheme for municipalisation of the drink trade in Birmingham. So successful was his advocacy of the proposal that the Committee reported to Parliament in favour of it. And it is to be observed that one of the reasons advanced in support of the scheme was that it provided “relief, directly and indirectly, of the rates.”

## Socialism in Local Government

Parliament, however, was not convinced of the wisdom of Mr. Chamberlain's idea, and a general resolution stating that it was desirable "to empower Town Councils of Boroughs under the Municipal Corporations Acts to acquire compulsorily on payment of fair compensation the existing interests" was defeated in the House of Commons by 52 votes.

Municipalisation is now strenuously supported both by the Fabian Society and by the Independent Labour Party. According to Mr. Philip Snowden, M.P., it "is frankly based on the admission that the public-house is a public convenience which the public will have. It is recognised that the trade is one which, unless strictly controlled, may lead to serious evils, but if the sale of drink be conducted under proper safeguards, then it meets what public opinion considers (whatever individual opinion may be) a perfectly legitimate desire. The idea of municipalisation, then, is to provide for the satisfaction of a reasonable indulgence in drink, but to prevent the abuse of it."

Naturally, every local authority is to produce its own beer and spirits. The municipal brewery and distillery will flourish. "I rather like to think," says Mr. H. G. Wells, "of the red dagger of London on the wholesome bottled ales of her great (municipalised) breweries."

Of course, the general arguments for and against municipal trading also apply to the municipal ownership and management of the drink traffic. It is claimed by the Socialist that, notwithstanding numerous attempts to regulate the trade and to prevent abuses, there has been no real reform. To this



# Municipalisation of "Drink Traffic"

contention the obvious answer is the immense decrease in the drinking habits of the people in the last twenty years, due to education and State regulation. The Licensing Act of 1904 provided a sound system for reducing the number of licenses. Before the Act, the average annual net reduction of licenses was 386 ; since the Act, the average annual net reduction has been 1473. This reduction has been made without any expense to the public.

The measure now under consideration in the present Session of Parliament threatens not merely a systematic reduction in the number of licenses, but the imposition of a time limit, at the expiry of which every then existing license lapses.

It is to be observed that the Socialist sees some difficulty in municipalisation during the working of the time limit ; but in view of the fact that the public would need to have full information and experience when "called upon at the end of the time limit to decide the further method of control, it would be invaluable if, in the meantime, we could have one or two enterprising and competent local authorities try experiments in complete municipal control. It would be essential that the municipality have a complete monopoly of the retail sale in its area ; a municipal public-house, surrounded by others in private hands, is useless for forming conclusions."<sup>1</sup> This suggested experiment is to be made by commutation of the unexpired value of the licenses, after a vote of the inhabitants of a district has been taken.

When all licenses lapse at the expiry of the time limit, then the inhabitants of a district are to determine

<sup>1</sup> P. Snowden, M.P., in *Socialism and the Drink Question*, p. 173.

## Socialism in Local Government

"the extent and method of control of the future traffic." Parliament, however, ought not to "impose upon every locality the obligation to municipalise the retail traffic." There should be a power of option, and "a very decisive vote" in favour ought to be obtained before municipalisation is undertaken.

The most important point, and one which bristles with difficulty from the Socialist point of view, is the question of the constitution of the local authority to manage the liquor traffic. A specially constituted authority would result in elections to it being fought "between fanatical teetotallers and the publicans."

The Council, says Mr. Snowden, is the proper authority to undertake the work, and as its duties are so varied, and the interests of the citizens who elect the Councils so diverse, the drink question would only be one of the influences deciding the question. Nevertheless, no one can contemplate the large part played by the liquor interest in municipal elections in the United States, particularly in New York, without coming to the conclusion that to throw the control and management of the drink trade into the arena of local politics would irretrievably damage British local government.

The Fabian Society do not attempt to disguise this disagreeable feature. "The liquor issue will too often be an all-powerful one in determining the election of councillors. The time-honoured distinctions between Liberal and Tory, Progressive and Moderate, will sink out of sight. Past services will be forgotten; promissory programmes will attract no votes; elections from Perth to Plymouth will be

# Municipalisation of "Drink Traffic"

fought on the Publicans *versus* the Temperance Party ticket." <sup>1</sup>

Curiously enough, Mr. Snowden is apparently an opponent of the Fabian scheme of indirectly elected Provincial and National Boards for the purpose of socialisation of everything. Dealing with the suggestion that a statutory Committee to manage the drink traffic might be formed, with liberty to co-opt outside persons, he observes that "this is neither democratic in principle, nor calculated to secure that efficiency of management which comes from a sense of direct contact with the electorate." <sup>2</sup>

This piece of criticism, however, is followed by the extraordinary statement that the "tendency of local government towards the unification of administration in one body must lead to a large increase in the membership of the Councils, and the entrusting of departments of work to the Committees without any close supervision by the general body. This is in no way undesirable. On the contrary, it is likely to conduce to more effective control, as the members of the Councils, restricted to one or a very few departments of public work, will be able to keep more thoroughly in touch with the work. And their direct responsibility to the electorate will be in no way impaired." <sup>3</sup>

Surely all experience proves that lack of close supervision of Committees by the general body leads inevitably to waste, extravagance, and corruption. If each Committee of a Municipal Council is to be a sort of *ad hoc* authority, sitting, moreover, in secret,

<sup>1</sup> *Fabian Tract*, No. 86, p. 12.

<sup>2</sup> Page 175.

<sup>3</sup> Page 176.

## Socialism in Local Government

unsupervised by the Council, what vast opportunities will occur for the grinding of axes and the promotion of pet schemes? It is not the virtue of the part (the Committee) but the virtue of the whole body (the Council) that keeps government pure and efficient. It is the check and criticism of the eighty members who are not serving on the Theatres Committee, for instance, that, perhaps, prevents members of that particular Committee falling a prey to temptation.

Just consider the danger of the Socialist theory of "unsupervised Committees," in the light of the actual duties which the Committee dealing with the drink traffic, say, in London, would have to discharge. According to Mr. Snowden, the duties would comprise the framing of regulations as to the time of opening and closing; the fixing of prices and appointment of management; the purchase of stock. It is not difficult to see that many a London County Council election would turn on the rise or fall in the price of municipal beer; that London might be thrilled with virtuous indignation at the decision of a Free Trade Council to purchase and push the sale of Munich beer in preference to the Canterbury brew (municipal).

Leaving methods of administration and turning to the financial aspect, it appears that "the profits from the drink sold in the municipal public-houses must decline if the object of municipalisation is realised. In fact, the real test of the success of municipalisation must be the reduction of profits, and every loss upon the year's trading in liquor must be welcomed as an evidence of the success of the scheme,"<sup>1</sup> because "the very reason for the municipalisation of the drink

<sup>1</sup> Page 178.

# Municipalisation of "Drink Traffic"

traffic is to reduce the sale of drink to the lowest possible dimensions."

It may well be asked at this stage: "Why, if that is your aim, why, at the expiry of the time limit, ever renew licenses at all? Is not that a cheaper way of decreasing the consumption of drink than by municipalisation at a loss?"

In case the success of the scheme (that is to say, the loss on the year's trading) is not forthcoming, and there is a failure to lose the ratepayers' money, and there are profits to be dealt with, it is proposed that they "shall be spent by the localities in providing counter attractions to the public-houses." The rates are not to benefit.

In plain English, the Socialist proposition is this:—

1. The ratepayers are to find so many millions to municipalise the public-houses, breweries, and distilleries.

2. The Committees managing the municipalised drink traffic in each local area are to endeavour to show a loss on trading each year. The bigger the loss the greater the success!

3. If, by any unforeseen cause, a profit is accidentally made, then such profit is to be spent in providing counter attractions to the public-houses. In other words, the profits of one year are to be used to produce in the next year a loss on the municipal drink traffic.

It is safe to say that a more ludicrous set of propositions has seldom been formulated by a member of the Imperial Legislature. Nevertheless, the author claims that "it is a harmonious and scientific scheme of Temperance Reform."



## XX

### CONCLUSIONS

1. OF the real extent and the true nature of the Socialistic movement in Local Government, we have now gained some definite notion. What, to the casual observer, appears a mass of irregular, indefinite, and often purposeless transfer of functions from private enterprise to the collective effort of the community, gains a new meaning and purpose when it is seen to be part of the vigorous campaign of the Administrative Socialist. We see that he holds that the abolition of private property and the realisation of his ideal never will be gained by a revolution, or a change of government; his plan is that "the principal means of social transformation must be *the conquest of public powers* (in local administration as well as in Parliaments)." <sup>1</sup> Therefore, the transition is being effected by him day by day, and little by little, in various ways, and mainly through Local Government.

Nearly all the matters we have been considering in our survey of municipalisation were, a few years ago, private functions, and the recent huge advance of Municipal Socialism instead of slackening shows marked signs of moving with accelerated speed.

<sup>1</sup> Ferri, *Socialism and Positive Science*, p. 133.

## Conclusions

Any recent change in the views of town councillors and ratepayers which might have operated to check this progress has been nullified by the action of the legislature in the last few years, which has taken the shape of passing numerous measures helping forward the Socialist movement in local affairs.

Practically the present position is that we have now reached the half-way house to complete Scientific Socialism. Individualism, as Professor Ferri observes, has already been changed into "a limited individualism and a partial collectivism by the legal limitations of the *jus abutendi*, and by the continued transformation into social functions or public ownership of services (lighting, water supply, transport) or properties (roads, bridges, canals) which formerly were private services and properties." Municipal Socialism is, indeed, an intermediate phase between individualism and the ultimate phase of absolute collectivism.

2. The proposed reorganisation of Local Government embodied in the Fabian pamphlet, *Municipalisation by Provinces*, is a perversion of democratic principles. It is not government by the people, but government by double and treble indirect election. Administration thus conducted must be irresponsible and inefficient. Whatever may be thought of the objects aimed at by this system, it is clear that a very mediocre set of men would rule the Socialist roost. Very poor results would, therefore, be the outcome of such a plan. Apart from all other questions, it must be admitted that it is essential to the success of Administrative Socialism that the

## Socialism in Local Government

ablest men should be at the summit of affairs. The Fabian plan furnishes no prospect of securing the ablest men. Under it the boot manufacturer may be a public director of shipbuilding, and the trained mechanic a manager of agriculture.

In general, the direction of affairs would thus fall into the hands of practically uncontrolled officials, who usually are careless of public opinion, and, when they have obtained the upper hand of the public representatives, are slack in the performance of their duties. They become, in fact, not public servants, but irresponsible dictators. The surest road to national decay is to place supreme power in the hands of a bureaucracy. And it is awful to contemplate the disastrous consequences of a Socialist bureaucracy invading and controlling every department of life, its powers unchecked, and its faults uncorrected.

3. As respects Municipal Trading itself, the principal phase of Municipal Socialism, we have seen that it provides none of those magnificent solutions of the evils attendant upon private enterprise. Experience has indicated certain weaknesses in private effort, but no improvement has come from the public supersession of that effort. The weakness remains, or reappears in another shape.

The financial aspect of municipal trade is not better than the possible and alternative system of wisely controlled private enterprise. In spite of the persistent claims of municipal traders that large profits are made by municipal ventures, we are bound, on an examination of such evidence as is available, to conclude that the ratepayers, on the

## Conclusions

whole, suffer loss. It is of prime importance that a Royal Commission should be appointed to inquire into and report upon the financial results of municipal undertakings.

The price and quality of municipal service shows no advantage to the consumer as compared with private service. A municipality will resist improvement and a competition which gives a cheaper and better service.

4. Our inquiry into the respective merits of public and private enterprise, and the lessons to be drawn from State administration, indicates that a lesser degree of efficiency characterises State effort. In spite of the Socialist contention to the contrary, there has been in recent times no improvement in the *morale* of public servants which will produce results either equal to or better than is obtained under the system of private effort. The importance of the appeal to actual experience is often sadly underrated. The knowledge that comes of repeated practice yields the only certain ground on which to judge the future. What has been and what is, determines what is to come.

5. The effect of Administrative Socialism upon national character and progress—the most important phase of all—is to lessen the development of the human faculties of comparison, judgment, and foresight, to destroy the independence and individuality of the citizen, and to teach him to rely more and more upon his fellows for the supply of his needs, while he himself neglects to contribute his fair share of activity on behalf of the common weal. In short,

## Socialism in Local Government

Administrative Socialism means reducing men and women to irresponsible children.

The present position as regards the progress of the race has been admirably summarised by Professor William Ridgeway in his address upon "Anthropology" at the meeting of the British Association in September, 1908:—

"In ancient days," he states, "the chief end of the legislator was to produce a stalwart brood of citizens capable of bearing arms in defence of their country and advancing her material prosperity. Still more ought this to be the aim of our legislators to-day, for under modern conditions great masses of population are huddled together in a manner hardly known to ancient cities. To accomplish this great end the legislator must not merely look to improved housing of the poor and the development of the physique of city populations. He must, as far as possible, conform to the principles of the stock-breeder, anxious to rear the finest horses, cattle, or sheep. Yet in our community statesmen of both parties had adopted the very opposite policy. The children of the working classes were educated at the cost of the State; the offspring of the wasters were given free meals; and already there were demands that they should be clothed at the expense of the ratepayers, and that the parents should even be paid for providing them with lodging. It was not impossible that before long these demands would be conceded by either party in the State. The heavy additional expense incurred in this policy fell upon



## Conclusions

the middle-class ratepayers and taxpayers who had to feed, educate, and clothe their own children at their own expense. The heavy burden of taxation entailed by this policy, falling as it did with special weight upon the middle classes, rendered it more difficult each year for the young men and the young women in that class to marry before thirty, for they naturally shrank from the expense of bringing up large or even moderate sized families. We need not then wonder at the falling off in the rate of increase of the middle classes. Our legislators were bad stockmasters, for they were selecting to continue the race the most unfit, physically and morally, whilst they discouraged more and more the increase of what has been proved to be the outcome of a long process of natural selection. The present policy, therefore, tended to reduce that which in all ages had been the mainstay of every State—the middle class. If the present policy of our legislators were adhered to, the moral and the physical standard of the British citizen would steadily deteriorate, for the population would gradually come to consist of the posterity of those who were themselves sprung from many generations of the most unfit. Should this unfortunately come to pass, it would be the result of human pride, refusing to apply to the human race the laws which inexorably regulate all Nature.”

We are bound to conclude that, under Administrative Socialism, commercial development, invention, and discovery would cease to be. We know from

## Socialism in Local Government

experience that municipal and Government departments never improve or invent fresh methods. All Government action is a weak imitation of private enterprise, which is always progressive, but is often hampered by the torpor and antiquated systems of Government offices.

Government has never yet invented anything of importance, though it has often appropriated great undertakings, like the tramway, telegraph, telephone, and electricity systems, which have been invented by individuals, and built up by private companies. And when it has secured a monopoly of those systems, it discourages, indeed denies, the right of any individual to promote a competing service of an improved type.

6. On the question of monopoly, it is beyond dispute that the monopoly of a municipality is infinitely harder to overcome than the monopoly of private individuals. Municipalities have formed a strong combination to uphold each other's monopoly privileges. The power they wield in Parliament has prevented the adoption of fresh developments and new ideas. Attempts by private enterprise to supply the public with better services have been successfully resisted by monopoly-owning towns. It is to be observed that against the unfairness of a private company the citizen has always the weapon of his local authority or Parliament ; but when the local authority is a monopoly trader, the citizen has no practical redress.

7. From our examination of the condition of labour under private and municipal management, we

## Conclusions

do not find as yet any serious difference of treatment as regards hours of labour and rate of wages. There is, however, this distinction—that the municipal workman does not work as hard as the man in private employment. The “ca’ canny” system prevails all through municipal undertakings, and produces slackness and inefficiency.

Looking forward, it needs no debauch of fancy to imagine that the constant pressure of municipal employés, and the tempting bait of higher wages held out by municipal candidates, will probably lead to an increase of municipal wages beyond the market or trade union rate. That, of course, is gross corruption, and when that stage is reached, British Local Government will have travelled far down the road to destruction.

8. Dealing with the two phases of civic activity known as “Municipal Housing” and “Works Departments,” their failure is clearly demonstrated. As supplemental to or an alternative plan where private effort has failed or needs to be curbed, they are useful. But neither has been used with discretion, and, elevated to a sphere not their own, have met with disaster.

9. All that has been adduced in previous chapters points to the need of an alternative policy to municipal trading. Admittedly it is difficult to draw a hard and fast line between the functions of local administration and private enterprise. Unrestrained private venture is too likely to become tyrannical and contrary to public interest. There must, therefore,

## Socialism in Local Government

be some control of trade which avoids the perils and losses of municipal enterprise. Local Government should be equipped with a sound set of laws regulating monopolies of services or functions necessary to the whole community. In the event of the failure of private enterprise to supply a public need, then the local authority may undertake the service. The latest German franchises provide excellent examples of the basis upon which large private ventures of a monopoly character should be allowed to operate in a town. Huge profits are secured by this system of franchises for the benefit of the ratepayers.

To ensure the satisfactory carrying out of this policy of control, a special department of the Local Government Board should be established for the purpose of inquiry and report upon cases where a local body proposes to embark in a trading venture ; and all franchises entered into between a private concern and a municipality should be examined and ratified by the Board. Provision should be made for the fullest information to be given to the ratepayers.

10. Besides utilising the important feature of Local Government known as municipal trading for advancing his views, the Administrative Socialist has used educational administration in order to substitute the State for the parent. Not only are the rudiments of education taught, but many of the children are now fed, and all are medically inspected. From this stage, it is only one step to three State meals at school every day, medical treatment, and clothing.

## Conclusions

In fact, surveying the present conditions, one is driven into the belief that even now the children "belong more to the State than to the parents." Parental responsibility is vanishing. Nothing is being done to "protect what remains of the family." On the contrary, every development is towards exclusion of the parents from the care of their children.

It is true that as each fresh attack is made upon parental responsibility, the pious opinion is expressed that the scheme will result in strengthening the position of parents and in inducing them to recognise their duties to their offspring. The consequence, as experience shows, has been far otherwise. Events are every day demonstrating the fallacy of the view that the State can by taking over the duties of the parent teach the neglectful parent his duty. The parent, for whose benefit the State is acting, welcomes the intervention of the State as saving him trouble and expense, an expense borne by other parents who are fulfilling their responsibilities.

The blunder of recent legislation—Socialistic in the extreme—is that it has never attempted to force the parents to discharge their duties to their children. This might have been done by a wider interpretation of the Acts relating to Cruelty to Children. For example, the need of medical inspection and treatment of many children is only too clear. But why not have placed upon the parent the duty of sending to the local education authority a medical certificate and report as to the health of his child? If there is evidence of continued neglect, the local education authority should report those cases to the police



## Socialism in Local Government

authorities, who would make inquiries and prosecute if necessary. Such a plan enforces and does not weaken parental responsibility ; it places the burden of expense on the right shoulders ; and it avoids what the present state of affairs involves—namely, the conversion of the medical profession into a class of civil servants—a conversion entailing a huge expenditure to the nation.

II. Our Poor Law system always contained more or less a tinge of Socialism. Prior to 1834, as we have seen, Poor Law administration had become distinctly Socialistic, with disastrous results. Then came a swing back to saner principles. We are once again importing Socialism into our Poor Law institutions, which are fast becoming mere pampering establishments of what Carlyle called “a universal sluggard and scoundrel amalgamation society.” Public prodigality is to be seen in almost every union, accompanied in many cases by public corruption. Wherever the system is dominated by Socialist ideals, the lesson is taught to the people that idleness and vice may eat that bread which the virtue and honesty of the independent poor may starve for. To it the slothful waster looks for that support which he deliberately refuses to earn. And when he has secured it, he is free to enter the workshop of his former employer to exhibit the prosperity and security of his condition, and to taunt the workman at the bench as a fool who works for his livelihood when he could obtain it for nothing. In fine, the Socialistic dispensation of the Poor Law teaches the lesson that it is sometimes good not to be over-

## Conclusions

virtuous ; that the greater our idleness, the more munificent is public charity.

12. The Socialist claim that Society ought to assure to the labourer work, that the State ought to provide work for every one, cannot be admitted. Capitalists cannot always find profitable work for all, nor can the State do so.

The experience gained from actual experiment shows that the concession by the Government of any such right would lead to economic disaster. A worse state of things would be the result. For the State would have to adopt Socialism straight away.

The answer to the demand that the principle of "the Right to Work" should be recognised by the State has been thus ably summarised :<sup>1</sup>—

"The State cannot undertake to find work for you ; if it did find really paying work for you, such as you have been doing, it would be at the expense of your comrades now employed ; and if it were not paying work, if the results would not support you, the taxpayers would have to make it up, and the more of you that came, the more they would have to contribute. The reason you are now out of work is because your work was not sufficiently profitable to your late employer ; the reason this work which you ask the State to undertake was not undertaken is because it would not pay current profits, at least in most cases. Why, then, should the Government undertake it ? And if it did, you are not exactly the class of workers

<sup>1</sup> Graham, *Socialism*, p. 324.

## Socialism in Local Government

that it would prefer to employ. Possibly with select workers and good superintendents it might make the work commercially paying, but hardly with you, if it may be said without offence. But there is a stronger reason against its undertaking such work. The State, the Government, does not consider it amongst its functions or duties to find work for all citizens, and then to set them at it ; it is not at present constituted for such a purpose, and, to say the truth, is not well suited for it. Neither, for that matter, is the local authority. It cannot, then, do what you want, start the work you recommend, without working at a loss to be borne by other citizens, while even if working successfully and on business principles, it would come in competition with the same kind of work under private enterprise, in which case it would to the extent it succeeded create as many fresh unemployed as it had set to work.

"The Government cannot, then, guarantee you work ; but it accepts the responsibility of trying to make the total field of industry as wide as possible for you ; of giving to all citizens in future more and fairer chances of helping themselves, by educational facilities and in other ways. The State can reform unwise laws or unjust laws that may have injured the labouring classes. It will interfere to protect your life, your property, your health. It can readjust the burden of taxation, perhaps, a little more equitably, and in your favour. In these and other ways within the understood limits, the

## Conclusions

State can help to place labourers in a better and a fairer position, after which their fate must be left to themselves, our Government not being a paternal one, and its policy having had for aim the making of self-reliant, prudent, and persevering men rather than grown children ; though even if the State could make all its citizens comfortable, provide for all their wants, and remove all risk and danger, such a consummation would be dearly purchased by the sapping of the high virtues of self-dependence and forethought, which would be the only sure result of the otherwise futile and impossible aim.

“As for the existing unemployed, whose case we sincerely deplore, the State or the municipalities will do what is possible within the limits laid down to mitigate temporary hardships. Relief work of a useful nature, in which there is no danger of competing with private enterprise, will be undertaken in supplement to private benevolence. More the State cannot promise without changing its functions, without entering on new paths fraught with risk to national interests, and especially the material and moral interests of the working classes themselves.”

13. The proposal for municipalisation of the drink traffic is frankly based upon the fact that “the public-house is a public convenience,” but needs stricter control. The Socialist plan for State public-houses, however, ignores the general and rapid progress towards temperance made in recent years by the nation. Under the Licensing Act of

## Socialism in Local Government

1904 each year sees the extinction of a number of licenses. Moreover, the scheme as outlined by Mr. Philip Snowden, M.P., in *Socialism and the Drink Question*, is so crude and, withal, so foolish, that it has only to be stated to be condemned.



# INDEX

ADMINISTRATIVE County of London  
Electric Power Bill (1905), 158  
Administrative Provisions (Education)  
Act (1907), 4  
Administrative Socialism, Aim of,  
I., 1  
Administrative Socialism and national  
character, Conclusions, 315  
Administrative Socialists, 3; the  
greatest danger, 4  
Administrative Socialists' aims baffled  
by geographical limitations, 15  
Admiralty criticised by Public Ac-  
counts Committee, 126  
Aim of Administrative Socialism, I., 1  
Alternative Policy, An, XV., 231;  
to municipal trading, Conclusions,  
319  
American business men on mono-  
poly, 167  
American Civic Federation Commis-  
sion, report on British gas under-  
takings to, 81; report on "Labour  
and Politics" to, 193  
Anthropology, address of Professor  
W. Ridgeway, 316  
Aristocracy of talent, Socialist dream,  
19  
Armour, Councillor A., on Liverpool  
tramways and widenings, 54  
Armstrong, Lord (Sir William), and  
Ordnance Department, 110  
Ashley, Professor, on municipal hous-  
ing in Prussia, 242  
Association of Municipal Corpora-  
tions and local veto, 147; electric  
bulk supply, 157, 162; object, 172  
"Auction clause" in Bills for raising  
capital, 236  
Audit of London County Council  
tramways system, 56  
Audit of municipal accounts, report  
of Joint Select Committee, 68;  
of Departmental Committee, 73

Auditor (Local Government Board)  
censures London County Council  
on housing accounts, 209

BAGENAL, Mr. P. H., report on test  
labour, 284  
Banking and trading, municipal,  
Trade Union Congress (1905), re-  
solutions, 189  
Banner, Mr. J. S. Harmood, M.P.,  
on establishment charges, 52; tram-  
ways and widenings, 54; sinking  
funds, 66  
Barnett, Canon, on Local Govern-  
ment Board inspectors, 128  
Bastiat, Professor, on individual tor-  
por from State action, 138  
Baths and Wash-houses Act (1846), 28  
Battersea labourers' wages, 183  
Battersea Works Department, 218  
Bax and Quelch, Messrs. (*New  
Catechism*), on rates and profits, 45  
Benn, Sir J. W., M.P., on London  
County Council housing, 204  
Berlin electric lighting, 241  
Bermondsey, cost of State child, 275  
Bethnal Green sanitary inspector on  
London County Council housing,  
205  
Binnie, Sir Alexander, on Works  
Department, 224, 225  
Birkenhead, Lord Mayor of, on *per-  
sonnel* in municipal councils, 99  
Birmingham councillor on municipal  
trading, 104  
Birmingham drink trade, Mr. J.  
Chamberlain's scheme, 305  
Birmingham gas undertaking and  
municipality, 235  
Birmingham municipal housing  
schemes, 210  
Birmingham report on unemployed,  
282

# Socialism in Local Government

- Blanc, Louis, national workshops, 295
- Blashill, Mr. T., on Works Department, 224
- Board of Education, memorandum on medical inspection, 259
- Board of Trade, ex-official on responsibility and restriction, 143
- Board of Trade, former President on electric light development, 150
- Board of Trade, President on electric bulk supply, 160
- Board of Trade Return, tramways (1907), 57; electricity (1907), 58
- Boards, Provincial and National, Socialist, 18
- Bolton municipal motor bus, 38
- Booth, Right Hon. Charles, on London housing, 208
- Boroughs, London, with municipal electric light, 58
- Boundary Commission, proposed, 16
- Boundary street dwellings, 205
- Boyle, Councillor D., on *personnel* in municipal affairs, 99
- Boyle, late Sir Courtenay, evidence as to gas, 87
- Bradford Labour Party and feeding of school children, 249
- Bradford Municipal Gas Works, Manager's address, 88
- Bradford, resolution for loan to purchase coal mine, 34
- Bramwell, Sir Frederick, on Electric Lighting Act (1882), 154
- Briscoe Buildings, loss, 207
- British Association (1908), Professor W. Ridgeway on modern legislation, 316
- Broadhurst, Mr., M.P., opposes Joint Select Committee (1903), 42
- Bruce, Mr. W. W., on Tottenham L.C.C. cottages, 207
- Burns, Right Hon. J., M.P., table of municipal milk depôts, 35; opposes Joint Select Committee (1903), 42; appoints Departmental Committee (1906), 43; and municipal labour, 220, 223; L.C.C. as employer, 227; on labour colonies and relief works, 286, 289
- Bury St. Edmunds, labourers' wages, 183
- "Ca' canny" system, 319
- Cadoux, M. Gaston, on Paris gas supply, 239
- Calcraft, Sir H., on profits of electric lighting, 154
- Candidates, labour, 190
- Cannan, Mr. E., on advantages of municipal enterprise, 84
- Capital v. Socialist municipalities, 9
- Carlyle, Thomas, on failure of democracy, 19; on pampering establishments, 322
- Carriers, municipal, 38
- Central Unemployed Body and labour colonies, 287
- Chamberlain, Right Hon. J., M.P., on municipal labour, 226; on drink trade in Birmingham, 305
- Chesterfield Chamber of Commerce, Secretary on electric bulk supply, 158
- Children, school, medical inspection and feeding, Labour policy, 192, 248; figures, 252, 260; Conclusions, 320
- Churchill, Lord Randolph, on defective armaments, 111 *et seq.*
- Civil Service, inefficiency, 130
- Clarion Fellowship, 3
- Clyde Trust steamboats, 38
- Coal supply, municipal, suggestions, 34
- Colchester, refuse collectors' wages, 184
- Colmore, Mr. Cregoe, scheme of flats, 212
- Commercial Gas Act (1875), sliding scale, 236
- Commissariat scandal, Egypt, 123
- Committee on Physical Deterioration on medical treatment of school children, 258
- Communism, danger from State poor relief, 268
- Companies, limited liability, without voting power, 175
- Comparison of municipal and company tramways unjust, 86
- Comptroller, L.C.C., and Works Department, 222
- Conclusions, XX., 312
- Contractors' profits, saving of, fallacy, 178
- Contracts, Sheffield L.R.C. programme, 101; and stores in South African War, 124, 125

# Index

Cookham Buildings, cost under Works Department, 228  
Co-operation and municipal trading, comparison, 106  
Corruption and municipal scandals, 132; employes, 187; and inefficiency in Works Departments, 219  
Cost of public lighting, returns, 90  
Crooks, Mr. W., M.P., and Poplar, L.G.B. Report, 272  
Cross, Mr., Act (1875), 201

DARWIN, Major Leonard, on profits and rates, 46; on municipal tramways and private companies, 80; on failures in co-operation, 106  
Davenport, Mr. Bromley, M.P., on municipal monopolies, 172  
Debt, Unproductive and Reproductive, 32  
Democracy, Carlyle on, 19  
Democracy and the State, 9  
Departmental Committee on accounts of local authorities (1906), 43, 73; and depreciation, 65  
Depreciation omitted from municipal accounts, 61  
Devonport and District Tramways Company street improvements, 54  
Dickinson, Mr. W. H., on Works Department, 223  
Diderot, free meals and education for children, 247  
Dockyard constituencies and elections, 216  
Donald, Mr. Robert, on municipal profits and extravagance, 77, 85  
"Drink Traffic," Municipalisation of, XIX., 305

*Economist*, description of French national workshops, 295  
Edgar and Walton Clark, Messrs., report on gas undertakings, 81  
Education, Socialism in, XVI., 246  
Election, Indirect, 19  
Electric bulk supply, history, 156  
Electric Lighting Act (1882), hampering effects, 148, 150, 153  
Electric Lighting and Tramways Acts, hindrances to development, 235

Electricity and London County Council, 14  
Electricity, municipal undertakings, 58  
Electricity, returns of cost, 92  
Electricity supply, history, 149  
Electricity supply and municipalities, 172; *Municipal Journal* on, 174  
Electricity Supply Bill (1904), opposition, 174  
Elswick gun factory, history, 110  
Enterprise, Lesson of State, IX., 109  
Enterprise, State and private, 9  
Enterprise, Public *versus* Private, VIII., 96  
Establishment charges omitted from municipal accounts, 51  
Evolutionary Socialism, 3; the greatest danger, 4  
Extent of Municipal Trading, IV., 32

*Fabian Essays*, Socialist Poor Law programme, 271  
Fabian manifesto on invention (1900), 141  
Fabian manifesto, nepotism and electioneering services, 195  
Fabian methods described by Mr. G. Bernard Shaw, 5, 7  
Fabian movement, progress, 13  
Fabian movement and local government, 15  
Fabian plan of Indirect Election, 19  
Fabian reorganisation of local government, 313  
Fabian Socialist on early Poor Law administration, 268  
Fabian Socialists, 3  
Fabian Society, objects, 5; municipal programme, 9  
Fabian Society and drink traffic, 306, 308  
Farrer, Sir J. (late Lord Farrer), on Post Office, 127; on evils of State regulation, 144; on local bodies and electricity, 152; on London County Council and contractors, 221  
Feeding of School Children Act (1906), 4  
Ferri, Professor, plan of social transformation, 312  
Fields' *Gas Analysis*, table, 88  
Fildes, Mr. James, on Manchester housing, 209

# Socialism in Local Government

- Finance, Sheffield L.R.C. programme, 190
- Financial Aspect of Municipal Trading, VI., 45; summary, 82
- Flint, Professor, on the State and the unemployed, 280
- Forbes, Professor, on Electric Lighting Act (1882), 153
- Fowle, Rev., on the Poor Law, 267
- France, municipal control, 237; State workshops experiment, 292
- "Freedom of trading" provision, 177
- Fust, Mr. H. Jenner, report on Liverpool unemployed, 281
- GAS, late Sir Courtenay Boyle's evidence, 87
- Gas Analysis*, Fields' table, 88
- Gas undertakings and municipalities, 172; Mr. E. E. Leigh on, 105
- Gas undertakings, British, American report on, 81
- Gas Works Clauses Act (1847), profits and dividends, 236
- General Power Distribution Bill, 156, 172
- German franchises and monopolies, 320
- German town-planning and municipalities, 213
- Germany, municipal control, 241
- Glasgow Corporation and University and James Watt, 142
- Glasgow councillors and municipal employés, 193
- Glasgow Lord Provost on municipal employés, 194
- Glasgow telephone undertaking, 37
- Gorst, Sir J. E., M.P., on Civil Service, 131
- "Govern, not trade," theory and practice, 232
- Government, interpretation and discussion of functions, 96
- Greater London, suggested Socialist extension, 18
- Green, Mrs. J. R., on early town life, 25, 26
- Greenwich tunnel, speed of work under contract, 225
- Gruning, Mr., on Works Department, 224
- Guthrie, Mr. E., on allowance for depreciation, 63
- HACKNEY WICK sewer, slow work 225
- Haggerston candidate (1908), advocates increased old age pension, 271
- Halifax tramway strike (1906), 197
- Halstead, Admiral, on Government gun enterprise, 111
- Hardie, Mr. Keir, M.P., on municipal employés, 188
- Haw, Mr. George, on Housing Acts, 128; London County Council housing, 205
- Hazeldine, Mr. G. D., protests against Nottingham "packed" meeting, 196
- Health, Sheffield L.R.C. programme, 191
- Heptarchy, New, II., 13
- Herbert, Mr. Nicholas, report on Birmingham unemployed, 281
- Hey, Alderman, Halifax, labour threat, 198
- History of Municipal Trading, III., 23
- Hogarth Buildings, cost under Works Department, 228
- Hollesley Bay colony, Mr. J. Burns on working, 286
- Home Rule, Socialist form of local government, 17
- Homes (Limited), scheme of flats, 212
- Hours of labour, Trades Union Congress (1905), resolution, 189
- Housing Acts, 128, 201
- Housing, Municipal, XIII., 200; in Prussia, 242; Conclusions, 319
- Housing, Sheffield L.R.C. programme, 190
- Housing, Town-Planning, &c., Bill (1908), 213
- Housing of the Poor, Royal Commission (1884), 201
- "Housing of the Working Classes," 200
- Housing of the Working Classes Act (1890), 30
- Huddersfield, Works Department failure, 230
- INDEPENDENT Labour Party, 3; programme, "right to work," 276; Right to Work Bill, 302; and drink traffic, 306
- Indirect Election, Fabian plan, 18
- Individualism and State interference, discussion, 136



# Index

- Individualist view of local government, 232  
 "Industrial peace," Mr. Sidney Webb's vision, 197  
 Inquiry, Opposition to, V., 40  
 Inter-Departmental Committee on School Children (1905), report on Bradford work, 250; general report, 252  
 Interest on loans, increase of, under municipal trading, 79  
 International Socialist Workers and Trade Union Congress (1896), 10  
 Invention, Fabian manifesto (1900), 141  
 Ipswich tramways accounts, 55  
 Islington Borough Council, cost of gas and electricity, 59
- JOHANNA STREET SCHOOL, feeding of children, abuse, 260  
 Joint Committee Manifesto (1893) and municipalism, 3  
 Joint Committee on Underfed Children, report, 251  
 Joint Select Committee on Municipal Trading (1900), 40; evidence on lighting, 155, 157; (1903), 42; accounts, 68  
 Joint-stock companies, Socialist fallacies, 101
- KERR, Dr., on medical treatment of school children, 257  
 Kidd, Mr. Benjamin, on Socialist aim, 140  
 Knox, Mr. Vesey, on national loss through delay in adopting new invention, 162
- LABOUR and Politics, XII., 178  
 Labour conditions, Conclusions, 318  
 Labour Representation Committees, 190  
 Labour troubles under municipal trading, 197  
 Landon Labour Colony, effect of labour test, 281; Mr. J. Burns on, 288  
 Lamartine on State control of labour and contract, 280  
 Lambeth Board of Guardians, inquiry as to feeding of children, 260
- Lancashire Electric Power Company Bill (1900), opposition, 158, 173  
 Lansbury, Mr., censure of L.G.B. report, 274  
 Lee, tunnel under, slow work, 225  
 Leeds Corporation, report to, on municipal labour, 230  
 Leicester, foolish Poor Law administration, 283; gas undertaking and municipality, 235; Town Council and municipal employes, 193  
 Leigh, Mr. E. E., on gas undertakings and municipalities, 105  
 Leroy-Beaulieu, M. Paul, on State as world-god, 141  
 Lesson of State Enterprise, IX., 109  
 Liberal Party, "permeation" of, 6  
 Licensing Act (1904), effect, 307  
 Lighting, public, returns of cost, 90  
 Lighting under Socialist Board, 142  
 Limited liability companies without voting power, 175  
 Liverpool, report on unemployed, 281; Trade Union Congress (1906), resolution, 185; tramways and improvements, 54  
 Liverpool alderman on *personnel* in municipal affairs, 99  
 Loans, municipal, and interest, 79  
 Local Government Act (1888), working, 8, 9  
 Local Government and Fabian movement, "Home Rule," 15-17  
 Local Government Board Auditor censures L.C.C. on housing accounts, 209  
 Local Government Board, establishment, 31; housing and public health, 128; President, on chaos, 98; report on debts on obsolete subjects, 67; reports on pauperism, 272; reports on relief works, 280; return of borough rateable values, 106; returns of "reproductive" undertakings, 46; suggestion for investigation department, 245, 320  
 Local Government, Socialist invasion, 2  
 Local veto in Tramways Act (1870), 147  
 London and District Electricity Supply Bill (1908), 160  
 London County Council, first Fabian tactics, 6; "nursing mother" of Socialism, 7; and electric bulk



# Socialism in Local Government

- supply, 158; housing, 204; Southern Tramways, unjust comparison, 86; steamboats, 38; probable effect of referendum, 103; tramways system, accounts and improvements, 56; and water, tramways, and electricity supply, 14; Works Department, 218 *et seq.*
- London and Poplar, pauperism statistics, 272
- London Education Committee and feeding of children, 259
- London traffic, Royal Commission and local veto, 148, 206
- London United Tramways, expenditure, 53, 57; unjust comparison, 86
- Lowther, Mr. J. W., M.P., on electric tramways, 148
- M'COLL, Mr. D., on allowance for depreciation, 62
- Macdona, Mr. J. C., M.P., on municipal monopoly and private enterprise, 173
- Macdonald, Mr. J. Ramsay, M.P., on children and the State, 246; on "Unemployed Workmen" Bill, 277
- Manchester and Salford, effect of labour test, 281
- Manchester Corporation Bill (1906), opposition, 195
- Manchester Corporation refuse to set up Works Department, 230
- Manchester councillor on *personnel* in municipal affairs, 99
- Manchester housing, duty of citizens, 209
- Manchester member on lighting by companies and local bodies, 150
- Manifesto, Fabian, nepotism and electioneering services, 195
- Manifesto of Joint Committee (1893) and municipalism, 3
- Markets, origin and development, 25
- Marshall, Professor A., on problem of the Residuum, 264; hopeful view of unemployed problem, 303
- Marx, Karl, conception of materialist State, 140; disciples and revolution, 3
- Maxwell, Alderman, on *personnel* in municipal affairs, 99
- Meadowcroft, Councillor, on Manchester Tramways Department, 195
- Medical Inspection of School Children, 4
- Medical Relief Disqualification Removal Act (1885), 270
- Metropolitan Board of Works, ratepayers' lack of interest, 20
- Metropolitan Electric Tramways Company, extension charges, 53
- Metropolitan Water Board, creation of, 14
- Michael and Will, Messrs., on gas and water law, 236
- Middlesex tramways, widenings and accounts, 53
- Milk depôts, municipal, 35
- Mill, J. S., on government agency and individual enterprise, 29; on limits of province of government, 100; on joint-stock and individual management, 101
- Millbank site, cost of blocks under contract, 229
- Monopoly, Question of, XI., 164; Conclusions, 318
- Motor buses, municipal, 37
- Municipal Corporations, Royal Commission (1835), on local government, 27; returns of undertakings, 33
- Municipal Corporations Act (1835), 27, 305; (1882), "freedom of trading" provision, 177
- Municipal debts and interest on loans, 79
- Municipal Employés Association, methods, 180; branch meeting, 188; Conference (1905), Mr. Keir Hardie, M.P., at, 188
- Municipal Housing, XIII., 200
- Municipal Journal*, on allowance for depreciation, 64; admission that municipalities resist progress, 174
- Municipal Labour-Socialist Party, 11
- Municipal Powers Bill (1906), 11
- Municipal Reform Act (1835), effect, 176
- Municipal Trading, History of, III., 23. Extent of, IV., 32
- Municipal trading and banking, Trades Union Congress (1905), resolutions, 189; Conclusions, 314
- Municipal Works Departments, XIV., 218
- Municipalisation a step to nationalisation, Mr. P. J. Tevenan on, 188

# Index

- Municipalisation by Provinces*, Fabian pamphlet, 313  
Municipalisation of the "Drink Traffic," XIX., 305; Conclusions, 325  
Municipalism and Marxists, 3
- NATIONAL Character and Progress, Effect upon, X., 136; Conclusions, 315  
*National Civic Federation Report*, municipal employes' circular, 183  
National Housing Reform Council, President on housing and profits, 210  
National Telephone Company and municipal enterprise, 37  
Nationalisation the end of municipalisation, Mr. P. J. Tevenan on, 188  
Nettlefold, Councillor J. S., on municipal trading, 104; on Birmingham housing, 210; pamphlet, 211  
Nettleton, Mr., on trusts, 169  
New Heptarchy, II., 13  
Noble, Captain, protest against defective guns, 112  
North Woolwich drainage system, excess of cost, 224  
Nottingham ratepayers' meeting and municipal employes, 196
- OLD Age Pensions Act (1908), 4, 270  
Opposition to Inquiry, V., 40  
Ordnance Department, official incompetence, 110  
Outdoor Relief, London and Poplar figures, 272  
Outdoor Relief (Friendly Societies) Act (1894), 270  
Overcrowding, 202  
"Over-men," Fabian dream, 19
- PARIS, experience of free meals, 261  
Paris electric lighting, 240  
Paris Gas Company (1870), charter, 238  
Paris national workshops experiment, 292  
Paris omnibus and tram service, 241  
Pawnshops, municipal, 38  
Peat and Pixley, Messrs., report on L.C.C. tramways, 56  
"Permeation" policy described, 5
- Personnel* in municipal councils, decay in, 99  
Pixley, Mr. F. W., on allowance for depreciation, 62  
Plan of campaign, Socialist, 1  
Policy, An Alternative, XV., 231  
Politics and Labour, XII., 178  
Poor Law Commission, Report (1835), 268  
Poor Law, Socialism in, XVII., 267  
Poor Law System, Conclusions, 322  
Poplar, frauds on outdoor relief, 299  
Poplar, Mr. J. Burns, M.P., on women's workshop, 288  
Poplar, pauperism, statistics, 272; cost of State child, 275; street-laying policy, 286  
Post-Office an apparent success, 126; explanation, 127  
Post-Office and telephones, 37; opposition to telephones and wireless telegraphy, 162  
Preece, Mr. W. H., on Electric Lighting Act (1882), 153  
Price and Quality of Service, VII., 83  
Primrose, Sir J. U., Lord Provost, on municipal employes, 194  
Private and public enterprise, Conclusions, 315  
Profits and rates, 45  
Progressive majority on first London County Council, how obtained, 6  
Progressive Socialists and corruption, 132  
Progressive theory of municipal employment of labour *v.* contractors, 222  
Progressivism, Municipal Trading, 24  
Proudhon, M., on "monster of democratic Socialism," 301  
Proudhon, M., on "right to labour," 292  
Public Accounts Committee, criticism of Admiralty, 126  
Public *versus* Private Enterprise, VIII., 96  
Public-house. *See* Drink Traffic
- QUESTION of Monopoly, XI., 164
- RADICAL and Liberal Associations, "permeation" policy, 5  
Rae, Mr., on State industrialism, 109

# Socialism in Local Government

- Rates and profits, 45  
 Rayleigh, Lord, on profits of electric lighting, 154  
 "Readjustment of social environment," Socialist fallacy, 139  
 Relief (School Children) Order (1905), 4  
 Returns of electricity supply, 155  
 Returns (Local Government Board) of "reproductive" undertakings, 47  
 Returns, Parliamentary, cost of public lighting, 90  
 Revolution, danger from absence of Poor Law relief, discussed, 268  
 Revolutionary Socialism, 2  
 Ridgeway, Professor W., on tendency of modern legislation, 316  
 Right to Work Bill, 302  
 "Right to Work," Conclusions, 323  
 "Right to Work" doctrine, 12  
 "Right to Work," Labour policy, 193  
 Right to Work, The, XVIII., 276  
 Ripley on trusts, 168, 170  
 Ritchie, Professor, on individuals and environment, 140  
 Ritchie, late Mr. C. T. (afterwards Lord Ritchie), Act of 1888, 8  
 Rosebery, Earl of, K.G., on old age pensions scheme, 271  
 Rowe, Professor L. S., on German street railways, 244  
 Royal Commissions. Under separate headings  
 Russell, Lord John, and ale-house licenses, 305
- SAINT, Councillor, question on Islington lighting, 59  
 St. George's in the East, cost of State child, 275  
 Saint-Simon, a founder of Socialism, 203  
 Salisbury, Marquess of, on Government helplessness, 130  
 Salisbury, Marquess of, on terms to lighting companies, 151  
 School children, legislation, 4  
 Schooling, Mr. H. Holt, on allowance for depreciation, 61  
 Scott, Mr. C. J. Cater, on tramway expenditure, 53  
 Select Committee on Feeding of School Children (1906), report, 254, 256
- Select Committee on Repayment of Loans by Local Authorities (1902), on depreciation, 66  
 Sellers, Miss E., on cost of State children, 275  
 Service, Price and Quality of, VII., 83  
 Shaftesbury, Lord, Act (1851), 201  
 Shaw, Mr. A., on Paris Gas Company, 239  
 Shaw, Mr. A., on German municipal control, 244  
 Shaw, Mr. G. Bernard, on Fabian methods, 5, 7; on municipal Socialism prevalent, 7; on municipal trading, 23, 24; on municipal accounts, 61; on advantage of public enterprise, 83; on municipal inertia, 104; on trusts, 166; on assumed success of municipal electricity, 173; on housing difficulties, 203  
 Sheffield "Labour Representation Committee" municipal programme, 190  
 Sheffield, municipal credit, rates and interest, 79  
 Sheffield, Works Department failure, 230  
 Sinking fund and depreciation allowance, 63  
 Snowden, Mr. Philip, M.P., on drink traffic, 306, 307, 326  
 Social Democracy distrusted by Administrative Socialists, 18  
 Social Democratic Federation, objects, 3  
 Social Democrats, 2  
 Socialism, Administrative, 1  
 Socialism in Education, XVI., 246  
 Socialism in the Poor Law, XVII., 267  
 Socialist Party of Great Britain, 3  
 Socialist Poor Law programme, 271  
 Socialist scheme of temperance reform, 311  
 Socialist view of local government, 231  
 South African War, adverse reports on stores, 124, 125  
 South Australia, cost of pauper child, 275  
 South Ockendon Colony, Mr. J. Burns on, 287  
 Spencer, Mr. Herbert, on parental and civic responsibility, 263  
 State Enterprise, Lesson of, IX., 109

# Index

- State interference and Individualism, discussion, 136
- Steamboats, L.C.C., probable effect of referendum, 103
- Steamboats, municipal, 38
- Stepney, road-sweeping policy, 286
- Strikes under municipal trading, 197
- Sullivan, Mr. J. W., and Professor J. R. Commons, report on "Labour and Politics," 193
- Summary of conclusions on public and private enterprise, 107
- Summary of financial aspects of municipal trade, 82
- Summary, prices under municipal and private enterprise, 94
- Suthers, Mr., on advantage of municipal management, 83
- Suthers, Mr., on Government enterprise, 129
- Suthers, Mr., says corrupt practices are due to private enterprise, 132
- Switzerland Socialists and "right to work," 302
- TELEPHONE services, municipal, 15, 37
- Temperance reform, Socialist scheme, 311
- Tenants' leagues and councillors, 216
- Tevenan, Mr. P. J., on municipalisation and nationalisation, 188
- Thomas, M. Emile, history of State workshops in France, 293
- Thompson, Alderman W., on housing and profits, 210
- Todmorden Corporation motor buses, 38
- Torrens, Mr., Act (1868), 201
- Tottenham housing, 207
- Totterdown housing scheme, loss, 207
- Town-Planning, Housing, &c., Bill (1908), 213
- Town's meeting, abuses, 196
- Trades Councils and municipal elections, 190
- Trades Unions and contractors, 221
- Trades Union conferences and collectivism, 10
- Trades Union Congress (1905), resolutions, 189
- Trades Union Congress (1906), and municipal employes, 185
- Trades Union wages and conditions, 179
- Traffic Commission, 206
- Tramways Act (1870), effects, 144
- Tramways and Electric Lighting Acts, hindrances to development, 235
- Tramways and local government, 234
- Tramways and L.C.C., 14
- Tramways and motor buses, municipal, 38
- Tramways, Berlin, 242
- Tramways, electric, and local authorities, 148
- Tramways, municipal, leased to companies, profits, 80
- Tramways, recommendations of councillors to secure posts on, 194, 195
- Tramways, restrictions and opposition, 144
- Tramways, returns of cost, 93
- Tramways, unjust comparison of company and municipal management, 86
- Tramways, widenings and improvements omitted from accounts, 52
- Treasury control, Lord Welby on, 130; Sir J. E. Gorst, M.P., on, 131
- Trust, definition of, 164
- UNDERTAKINGS by municipal authorities, 33
- Unemployed Act (1905), 270, 280; Mr. J. Burns on failure, 286
- Unemployed, Sheffield L.R.C. programme, 190
- "Unemployed Workmen" Bill, 4, 277; Mr. J. Burns on effects, 286
- "Unfit" problem, dangers, 263
- United States, municipal corruption, 199
- Unskilled labour and municipal councils, 186
- Unskilled workmen and Poor Law relief, report, 283
- VESTED interests, municipal, effects of monopoly, 175
- Voluntary Care Committees and feeding of children, 259
- Voting power not possessed by limited liability companies, 175
- WANDSWORTH, Mayor of, on municipal tramways' competition with railways, 77

# Socialism in Local Government

- War Office, Lord Randolph Churchill on armaments, 111 *et seq.*
- Water supply and local government, 234
- Water supply, creation of Board, 14
- Watt, James, and popular prejudice, 142
- Webb, Mr. Sidney, on "unconscious Socialism," 5; tactics described by Mr. G. Bernard Shaw, 6; expansion of Socialism, 7; vision of "industrial peace," 197; on collective organisation and individualism, 222; on educational system, 248
- Welby, Lord, on Treasury control, 130
- Wells, Mr. H. G., on Fabian local government, 22; on drink traffic, 306
- West Ham, Works Department failure, 230
- West Ham Poor Law administration, 272
- Westminster Review* article on naval construction, 119
- West Riding, report on class created by relief work, 281
- Wethered, Mr. E. B., on Poor Law administration, 283
- Wheatley, Alderman, on Sheffield municipal credit and interest, 79
- Woman Socialist, The*, on children and the State, 246
- Wood, Mr. Charles, on gas undertakings, 88
- Woolwich, cost of State child, 275
- Woolwich gun factory, history, 111
- Work, *The Right to*, XVIII., 276
- Working Classes, Housing of the, 200.  
*See also* Housing
- Works Departments, Dangers of, 215; XIV., 218; Conclusions, 319
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